



Bosnian peace plan
Winter will not wait
for more delays
Page 13



Gothic corridors
Whiff of scandal hits
the world's oldest bank
Page 12



Running faster
Stuttgart victories
a leg-up for Puma
Page 9



**TOMORROW'S
Weekend FT**
In search of a vanished
Jewish community

FINANCIAL TIMES

FRIDAY, AUGUST 27, 1993

D8523A

Bundesbank key interest rates remain unaltered

The German Bundesbank maintained its monetary policy and refused to cut its most important interest rates in spite of expectations by the financial markets. In a renewed show of determination to take a long-term view of inflation prospects and the growth of money supply in the German economy, the central bank council left its discount rate at 6.75 per cent, and the Lombard rate at 7.75 per cent.

Economists in Paris said the decision could delay reductions in French interest rates. Page 14; Editorial Comment, Page 13; Lex, Page 14

UK recovery hopes: Hopes that the UK's economic recovery may prove lasting were boosted by news that UK manufacturers' order books are at their best levels for 3½ years. Page 14

Babangida makes way for new ruler:

General Ibrahim Babangida stepped down as Nigeria's military ruler and installed a non-elected administration of civilians and soldiers, in which the military is expected to remain strong. It remained unclear what role may be played by Gen Babangida, who seized power in 1993. Chief Ernest Shonekan (left), head of the outgoing administration which served under Gen Babangida, was named as head of Nigeria's interim government. Page 14

Bosnian factions vote: The assemblies of the three factions fighting in Bosnia vote today on the proposal to divide their republic put forward last week by Lord Owen and Mr Thorvald Stoltenberg, international mediators. Page 13

Reuters shareholders have flocked to take advantage of the international news and information group's special £350m (\$518m) share buy-back offer. Page 13

Chemical groups gloomy: Two of Europe's biggest chemical companies, both German-based, warned that there is no prospect of economic recovery in Europe this year. Profits at BASF fell by 51 per cent in the second quarter to DM245m (\$142.4m), while Bayer expects earnings to drop 20 per cent to around DM1.2bn (\$1.1bn) this year. Page 15; Details, Page 17

Sweden jolted by IMF report: Sweden's centre-right government was jolted by a leaked report from the International Monetary Fund which said its plans for cutting the country's huge budget deficit was inadequate. Publication of the report in a newspaper prompted a slide in the Swedish krona and a rise in interest rates. Page 3

Russian options for CIS: Russia is offering members of the Commonwealth of Independent States a choice of three options for economic relationships and co-operation. Page 3

Continental, the German tyre maker, saw earnings slide for the first half, with net profits at DM31.5m (\$18.5m) compared with DM118.7m year on year. Page 15

Brazil telecoms chief faces quiz: The president of Telebras, Brazil's state telecommunications company, has been called to testify before Congress, to explain allegations that his former finance director attempted to extort \$15m from Merrill Lynch, the US securities house. Page 4

Taiwan jet talks continue: Talks on rescuing the proposed regional jet joint venture between British Aerospace and Taiwan Aerospace Corporation splintered into a series of meetings largely among Taiwanese officials over the details of a draft deal. Page 6

NEC, the Japanese electronics group, has downgraded forecasts for pre-tax profits for the year ending next March to ¥30bn (\$283m) from ¥50bn, citing prolonged weakness in the Japanese economy. Page 17

Skanska and MCC, the two leading Swedish construction and real estate groups, reported sharply improved first-half figures. But they relied on gains from divestments and the absence of write-downs to compensate for the continued deterioration in market conditions. Page 16

Heineken, the big Dutch brewer, is recalling 3.12 million bottles shipped to eight countries in the last two weeks, because of fears that a fault in the glass could cause small glass chips to fall into the beer.

STOCK MARKET INDICES
FT-SE 100: 3079.2 (down)
Yield: 3.72
FT-SE Europe: 1298.45 (down)
FT-SE Asia: 1527.83 (down)
Nikkei: 20991.70 (down)
New York: 2644.27 (down)
Dow Jones: 2644.27 (down)
S&P Composite: 429.35 (down)

US LUNCHTIME RATES
Federal Funds: 3.1%
3-mo Treas Bill: 3.034%
Long Bond: 10.1%
Yield: 6.119%

LONDON MONEY
3-mo Interbank: 5.7% (same)
Life long gilt future: Sep 12/13 (Sep 11/12)
Brent 15-day (Oct): \$17.03 (17.0)

NORTH SEA OIL (August)
Brent 15-day (Oct): \$17.03 (17.0)
Oil: \$17.03 (17.0)

STERLING
New York: 1.5105
London: 1.5105
DM: 1.5075 (1.4825)
FFr: 5.8075 (5.8075)
Sfr: 2.215 (2.215)
Y: 167.5 (167.5)
£ Index: 86.7 (86.2)

DOLLAR
New York: 1.5105
London: 1.5105
DM: 1.5075 (1.4825)
FFr: 5.8075 (5.8075)
Sfr: 2.215 (2.215)
Y: 167.5 (167.5)
£ Index: 86.7 (86.2)

NEW YORK COMEX OIL
New York: 37.0 (37.0)
London: 37.0 (37.0)

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New York: 37.0 (37.0)
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London: 37.0 (37.0)

Headquarters and homes of ex-GM executives searched in alleged espionage probe

Police raid VW head offices for Opel data

By Christopher Parkes in Frankfurt, Judy Dempsey in Wolfsburg and Quentin Peel in Bonn

MORE than 60 police and criminal investigators yesterday raided Volkswagen's head offices and the homes of several VW executives to search for secret data allegedly stolen from Adam Opel, the General Motors German subsidiary.

At 9.30am, search squads simultaneously entered eight sep-

arate locations in and around Wolfsburg in the most dramatic move yet in four-month-old investigation into allegations of industrial espionage against Mr José Ignacio López de Arriortúa, VW's production director, and three colleagues.

The residences of the four men, all of whom abruptly joined VW from the US group last March, are understood to have been among the targets. Also searched was the VW management institute in Braunschweig, close to the company headquarters in Wolfsburg, and the group's official guesthouse.

Around 20 public prosecution officials, an unknown number of officers from the federal criminal bureau and 40 police from three municipal forces are believed to have taken part.

The search had been suspended by 19.30 last night, but officers were due to return this morning, a VW spokesman said. He had no information on any material which might have been removed.

The raid is the most significant development made known publicly since confirmation in mid-July that secret Opel documents

today? Wow, that's a big surprise! Well, well," exclaimed Mario, a 24-year-old VW technician. Mario's parents came to Germany from Italy as immigrant workers in the late 1950s.

In the Tunnel Schänke pub, the men smoking and drinking in the long, narrow building close to the factory gates, barely believed it.

"You're joking. You mean to tell us that the police are on the 13th floor [where directors' offices and VW lawyers are based]? Here at VW," asked Mr Martin Liesner, an engineer at VW for 20 years. "But what do they want?"

Everyone in Wolfsburg either works for VW or knows someone who works there. In fact more than 54,000 of the town's 130,000 population works there. "Wolfsburg is Volkswagen," local officials say.

"It is fair to say that a member of each family has at some time over the past 50 years worked here," said an official at the mayor's office.

With local unemployment at around 8 per cent, the town's workers want the affair over. "López is our hope," said Mr Liesner. "he can give us security."

some allegedly assembled at Mr López's instructions, had been found in the former home of two of his associates. Speculation grew yesterday that Mr López might be forced to quit.

In a newspaper interview yesterday, Mr Klaus Liesner, head of the group's supervisory board, backed away from former statements implying unconditional backing for Mr López. "I will put my hand in the fire for no-one," he said.

Yesterday's search comes at a delicate moment in efforts by Mr Günter Rexrodt, German Economics minister, to broker peace talks between Mr Pösch and Mr David Herman, Opel chairman.

The minister was due to meet Mr Herman at Frankfurt airport last night, when he was expected to present the Opel chief with a

draft public apology from Mr Pösch for insinuations made by the VW head and colleagues against the GM group.

Mr Franz Wauschkühn, Mr Rexrodt's spokesman, said yesterday that the government had no interest in the legal issues, "but we must think beyond the immediate situation to the longer term."

The minister was worried because of potential damage to relations between US and Germany. "A way must be found for them to work together sensibly... Asian competitors must be rubbing their hands," Mr Wauschkühn added.

VW's public relations team appeared relaxed and well-heeled as the raid took place. Several said they had been expecting a search, and wel-



Police load papers into a car at the rear of Mr López's house yesterday. VW's head offices and the homes of four of its executives were raided

come it as a step likely to end the speculation about Mr López. Mr Ferdinand Pösch, group chairman, was out of the plant at the time of the raid, rumours

about which had circulated for almost two weeks. Mr Georg Nauth, spokesman for the Darmstadt public prosecutors' office in charge of the criminal investigation, said the office had needed time to question witnesses and examine further evidence to pinpoint the data to be looked for and the most likely places for it to be found. It was unlikely that statements would be issued immediately on any possible evidence uncovered.

Mr Nauth said as well as interrogating junior VW employees, who allegedly fed Opel data into the VW database, the prosecutor in charge of the case, Ms Dorothea Holland, had also questioned Mr Carl Hahn, former VW chairman. Mr López and his associates had not yet been interviewed.

COMPETITORS WATCH 'miracle man' self-destructing
SHY INVESTIGATORS relish the limelight
GOOD PR HELPED GM chief outshine rival

LOPEZ AFFAIR: Page 2
Page 16
VW unlikely to break even
Editorial Comment: Page 13
Lex: Page 14

Police convoy surprises workers of Wolfsburg

By Judy Dempsey in Wolfsburg

THE WORKERS at Wolfsburg, Volkswagen's home town, did not know about the plainclothes police and lawyers who arrived in convoy at the giant factory yesterday morning.

They did not see, or hear the seven vehicles - two Volkswagen mini-vans and five Opel saloons - which just before 10am snaked along the wide, tree-lined entrance to VW's 13-storey administrative block.

"Sure, we knew about all the rumours. But they raided the place

today? Wow, that's a big surprise! Well, well," exclaimed Mario, a 24-year-old VW technician. Mario's parents came to Germany from Italy as immigrant workers in the late 1950s.

In the Tunnel Schänke pub, the men smoking and drinking in the long, narrow building close to the factory gates, barely believed it.

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With local unemployment at around 8 per cent, the town's workers want the affair over. "López is our hope," said Mr Liesner. "he can give us security."

Mr Lutz Schilling, VW's director of communications, explained: "It is not only affecting the 13th floor. They are also checking out the marketing and management institute [a building close to VW's private houses] and some guest houses," all of them in the centre and suburbs of Wolfsburg.

VW's legal department is on the 13th floor. So is Mr José Ignacio López de Arriortúa's office. "From there, Mr López has a view, and a vision," said Mr Schilling, adding that Mr López was "working all day" yesterday.

"Actually, this raid is not a surprise,"

he added, with commendable sang-froid. "We were expecting it to take place sooner. At least it will clear the air. We will help the investigators in any way. This will end the speculation." But he conceded: "This is not a fine day for anybody."

"You ask me what is behind all this?" Mr Schilling said. "Well, the fact that López left the number one car manufacturer in the world... it was a shock for them." He added: "We are happy to have López. He is the best manager in the field, the state prosecutors will give a complete picture at last."

Fall in sales hits Europe's carmakers

By Kevin Done, Motor Industry Correspondent, in London

VOLKSWAGEN and Renault, two of Europe's leading volume carmakers, yesterday announced a dramatic deterioration in their financial performance following the steep fall in west European new car sales this year.

Volvo of Sweden, which is expected soon to complete a full merger with Renault, achieved a modest return to profit, however, after suffering heavy net losses in 1990 and 1992 and operating losses in 1991 and 1992.

Renault, the French state-controlled car and commercial vehicle maker, said its pre-tax profits had plunged by almost 90 per cent in the first six months this year to only FF7730m (\$125m) from FF5.4bn in the same period a year ago.

It warned that it saw "no sign of recovery in the European market for cars and commercial vehicles," and said that it would have to scale down production in the second half to match demand.

Volkswagen, the beleaguered leader of the European car industry, confirmed yesterday that it

Kohl hints he may back France over farm trade talks

By Quentin Peel in Bonn

IN an extraordinary gesture of Franco-German solidarity, Chancellor Helmut Kohl yesterday hinted strongly that he was prepared to back France in seeking new concessions from the US on farm exports.

His words were immediately welcomed by French officials as a vital move to break the deadlock on farm trade in the Gatt negotiations.

However, this caused alarm and confusion in several German ministries. A senior official in the chancellor's own office insisted that he was not calling for formal renegotiation of last year's crucial EC-US agreement on dismantling farm trade subsidies.

Mr Kohl declared his support for a compromise on the so-called Blair House agreement on farm trade as part of a passionate restatement of his commitment to the Franco-German alliance as the driving force of European integration.

Speaking after two hours of talks with Mr Edouard Balladur, the French prime minister, he said both sides were committed to giving Europe a new impetus and both were committed to the timetable for eventual economic and monetary union.

The meeting is the first at the top level since the currency upheavals of July caused the collapse of the exchange rate mechanism, prompting harsh words from Paris blaming Germany in general, and the strict monetary policy of the Bundesbank in particular, for the crisis.

There were no harsh words yesterday, with both Mr Kohl and Mr Balladur declaring their closest possible co-operation as beyond doubt or possible disruption. Yet no one had expected Mr Kohl to go further in support of France's determined opposition to the EC-US farm trade deal.

"We have also got problems with the agricultural part of the negotiations, with the Blair House agreement," Mr Kohl declared. Pressed to explain if he was calling for renegotiation, Mr Kohl said: "We must find a compromise acceptable for everyone. The Blair House agreement as it stands has some problem areas for us as well... It is in the interests of Germany to arrive rapidly at an agreement, and naturally a reasonable agreement."

Any suggestion of a renegotiation of that painful compromise

When gold must do more than glitter



Omega Speedmaster Automatic. Chronograph with date, in 18 k gold. Scratch-resistant sapphire crystal. Water-resistant. Swiss made since 1848.

OMEGA
The sign of excellence

NEWS: VW AND THE LOPEZ ESPIONAGE AFFAIR

The raids yesterday by German police and prosecutors on Volkswagen's headquarters and other facilities in Wolfsburg marked an extraordinary day in the history of the German car industry. Officials in Bonn did not hide their concern over the potential political and economic damage which could ensue from the battle "between two great German car companies". Christopher Parkes examines the personalities and issues in what one German judge said could be 'potentially the biggest-ever case of industrial espionage'.

Shy investigators relish the limelight

IT TOOK almost two months and a jump-start for German public prosecutors to get down to the real work of investigating Adam Opel's suspicions against Mr José Ignacio López de Arriortúa and several of his colleagues.

But as yesterday's raid in Lower Saxony demonstrated, things have moved on apace since then.

Opel first laid its suspicions before the economic crimes division in the Darmstadt prosecutors' office at the end of April. It followed up as requested with more information and written sworn testimony from Opel employees in nearby Rüsselsheim and GM staff in Detroit, documenting allegations of systematic data collection.

In the meantime, Ms Dorothea Holland, the investigator in charge of the case, took a holiday.

Even when she returned, Opel was frustrated by the lack of apparent movement, although the nature of criminal investigations work - in Germany as elsewhere - militates against transparency. However, after a little judicious prompting through the good offices of the Hesse state justice ministry in late June, Ms Holland and her team had their heads down and have had them down since.

What a German judge recently described as 'potentially the biggest-ever case of industrial espionage' and what is persistently proclaimed a 'unique' probe in local media reports, has clearly caught the imagination of the office's 70-odd investigators.

Accustomed to a low profile

THE PROSECUTORS

and little media interest, they now seemingly welcome the attention. Mr Georg Nauth, a senior prosecutor and spokesman for the team, has become a common sight on television.

He, too, has polished up his act after an uncertain beginning. He even appears to have bought a new tie. Although his repertoire of rigorous 'no comments' and occasional drip-fed details remains the standard

fare, he seems to enjoy mildly teasing clamorous journalists, and is not afraid of speaking his mind.

It was specifically in response to the clamour that he issued an explosive press release in late July. This revealed that documents which should have been restricted to the top management of General Motors and its German subsidiary, Adam Opel, had been found - 'where they did not belong'. Mr Nauth noted - in boxes left in a house, apparently by colleagues of Mr López who had followed him to VW.

The VW production director was also declared to have had a direct connection with some of the other data.

Charges from Mr Ferdinand Piëch, VW chairman, that the statement was one-sided - on the grounds that only Opel people had been asked to iden-

tify the data - were rejected by Mr Nauth as 'incomprehensible'. Why, he wondered, would anyone ask Opel's arch-rival to identify what seemed to be secret Opel property?

Meanwhile, his press statement noted, the probe would continue with particular emphasis on the interrogation of VW employees. Since then, Mr Carl Hahn, former chairman of VW, Mr Daniel Goeudevert, a recently ousted board member, and Mr Klaus Liesen, head of the VW supervisory board, have been to Darmstadt.

But the most promising recent witnesses appear to have been far more junior employees, including computer operators who might have inserted Opel data into the VW system.

Ms Holland has remained throughout unapproachable and silent. But Mr Nauth, separated from the central investigation by a 'Chinese wall', continued to spice his permitted briefings with his own commentary.

Just over a week ago, for example, when VW was launching its own private investigation of its files and data bases, he appeared almost scornful. The prosecutors' office was in possession of more information than was available to independent auditors. It also had more powers. The VW team could not question sworn witnesses, nor could it confiscate documents, he said.

The prosecutors demon-

VW DOSSIER



JOSÉ IGNACIO LÓPEZ DE ARRIORTÚA, VW production director

The metamorphosis of López into Superlópez, as he is known in his native Basque country, started in 1980 when he left Pininfarina to join General Motors in Spain. At 25, the workaholic engineer was able to test drive his become the core tenant in his management philosophy: the systematic elimination from manufacturing of all processes which did not add value.

In 1986, as purchasing director for GM Spain, he decided that in-house cost-cutting methods should also be applied to parts suppliers. He would go into their factories and offer them advice.

As one was to note: 'When López tells us he will offer us a hand, I always think of my throat.' His transformation into 'the superlópez' and his rapid rise through GM were under way.

He joined Adam Opel's main board in Germany in 1987, was appointed central purchasing chief for GM Europe a year later, and moved to the parent board in Detroit in January, 1992.

In the meantime, he was combining all his accumulated knowledge and experience in Plant 6, his planned 'dream' super-lean production plant, in which cars would be assembled from modules in less than half the time taken in the best Japanese works.

He even had a site and outside landing for Plant 6 in his backyard in Arriortúa, GM Germany and lost Superlópez to Volkswagen.

FERDINAND PIËCH

'I was born a domesticated pig but live the life of a wild boar,' Piëch says of himself. It is his way of saying that, despite his birthright of privilege and immense wealth, he sees life as a moral quest: 'High living holds no joy for me.'

He is the grandson of VW 'Beetle' inventor Ferdinand Porsche, and started his career in the family luxury sports car company, of which he owns 10 per cent.

The 55-year-old engineer is father of 12 children. But he reserves his pride, in public at least, for his technical achievements.

Refused the chairmanship of Porsche, he joined Audi, the VW subsidiary, in 1972 as head of special development projects. He was responsible for the brand's innovative integrated passenger security system, Procon-Ten, and the development of permanent four-wheel drive.

Piëch became Audi chairman in 1988 and raised the profile of the marque to match that of BMW and Mercedes-Benz. He also made a reputation as a lover and a hard cost-cutter. Audi's return on sales rose from almost nil to 6 per cent, and the company became VW's most profitable subsidiary.

In charge of the group since January this year, he claims already to have DM8.7bn-worth of cost-savings 'in my pocket'. He says DM700m of that is due to the work of López, 'my soul mate'.

VW supervisory board

CAPITAL SIDE

Klaus Liesen, chairman of supervisory board of management

Carl Hahn: former chairman of VW board of management

Otto Lanzendorf: former German economic minister; president of German stockholders' association

Friedrich Schiele: member of Robert Bosch board of management

Political: Gerhard Schröder: prime minister of Lower Saxony

Walter Hille: social affairs minister of Lower Saxony

LABOUR SIDE

Franz Steinhilber, deputy chairman; former leader of the Metalworkers Union

Gerhard Kalkbrenner: VW works council member, Kassel plant

Josef-Peter Janssen: chairman of VW works council, Emden plant

Stefan Schmalz: chairman of VW works council, Hannover plant

Albert Schmalz: international department head of Metalworkers Union executive committee

Background briefing

1982, NOVEMBER López transfers to Opel, recently-appointed vice-president for procurement for GM in Detroit and former head of purchasing at Adam Opel, GM's German subsidiary. Piëch tries to persuade López to join him at VW.

1983, JANUARY GM announces López's plan to build 'dream factory' in his Basque homeland.

FEBRUARY López transfers to VW director to discuss 'possible' employment terms. Lower Saxony government, which owns a stake in VW, says López will join VW next month; he declines this.

MARCH Opel signs VW contract and then to inform GM in Detroit. VW announces agreement, but, after discussions with GM, López agrees to stay on at Opel. He then signs a five-year contract, but, according to a VW executive, he is 'very unhappy'. He then signs a five-year contract, but, according to a VW executive, he is 'very unhappy'. He then signs a five-year contract, but, according to a VW executive, he is 'very unhappy'.

APRIL VW agrees to López's request for a statement on GM/Opel documents it says are missing. López replies that neither he nor colleagues took any secret documents nor had any now.

MAY Opel asks public prosecutors to investigate possible theft and industrial espionage.

JUNE Opel demands bringing any secret documents to VW, but prosecutors say they have enough information to launch a criminal investigation.

JULY VW's department starts own investigation. López appears to contradict earlier claim he never took any documents but tells board any such documents were destroyed.

AUGUST VW's department 'isolated' admission documents had been destroyed but points out VW investigators also involve allegations of theft, fraud and perjury. German economic minister Schmidt holds a series of meetings with heads of Opel and VW, but says this is for information, not mediation.

VW appoints taskforce to carry out independent investigation. Police raid eight locations, including VW HQ at Wolfsburg, in search of evidence over industrial espionage allegations.

VW board of management

Ferdinand Piëch: chairman

José Ignacio López de Arriortúa: production optimisation and procurement

Walter Schmidt: controlling and finance

Jens Henningsen: group strategy, organisation and systems

Martin Pasch: Asia and Pacific

Peter Pösch: legal matters, government relations, auditing and economics

Juan Antonio Díaz Álvarez: chairman of staff board of management

Rexrodt is caught up in an inter-family squabble he believes has gone too far

Peace plea fails to catch the mood

THE MINISTER

MR Günter Rexrodt, the German economics minister, was due to have a parental chat with Mr David Herman, Opel chairman, at Frankfurt airport last night.

At the end of a day of extraordinary events at Volkswagen headquarters, he was seeking, as he has for the past week, to defuse the clash between Mr Herman and Mr Ferdinand Piëch, VW chairman.

'We say it is unique for two great German motor companies to be fighting like this in public,' the minister's spokesman said yesterday. 'He concluded we must do something because it seems in this case that there is such human friction, we must bring people to more reason.'

It was the minister's job to try to prevent damage to political and business relations between the US and Germany, his spokesman added.

It has been suggested for some weeks by lowly politicians and business leaders that the clash over the alleged theft of Opel data and

suspected industrial espionage could well cause the sort of damage Mr Rexrodt now fears.

But it was only a week ago, after a call from Mr Piëch, that the minister acted. His attitude appears to be that there is an inter-family squabble going on, and his job is to shut the quarrelsome children in separate rooms and try quietly to talk some sense into the parents.

Opel has said it will be prepared to exchange letters with VW provided public apologies are forthcoming from the other side. It wants a withdrawal of remarks suggesting that the US-owned company is spearheading an American campaign to undermine the German motor industry and that it planned evidence prejudicial to criminal investigations.

But while the probe continues at its heated pace, tempers are hardly likely to be cool enough for a reasonable, let alone a useful

exchange between the two sides. Nor is Opel, which appears so far to have the best hand, likely to want to be seen talking publicly. Any rapprochement could be interpreted as a sign of weakness. The three-way contacts, supposed to be held in secret, have been routinely followed by heartening press releases from Mr Otto Wachs, a Volkswagen spokesman.

Nor has Opel been pleased by statements attributed to Mr Rexrodt to the effect that he wanted the case settled in the civil courts.

While the minister probably appreciates that the criminal case is entirely out of Opel's, VW's and political hands, his initiative came late in the day. That it followed Mr Piëch's widely criticised insinuations against Opel, which were in turn followed by an abortive attempt by the VW chief to open peace talks, could leave Mr Rexrodt open to suggestions that he may not be acting altogether with the common good in mind. Opel, which has stuck rigorously to its claim that it has

reasonable grounds for suspicion - confirmed by public prosecutors - might reasonably ask why no political initiatives or support were forthcoming when it first declared itself the injured party. The substance of its suspicions is that former employees decamped to VW in possession of virtually all its business strategy for the next 10 years.

'A way must be found for them to work together sensibly... their Asian competitors must be rubbing their hands,' said Mr Rexrodt's spokesman. 'US and European companies should co-operate to resist Asian dumping.'

That seems more an issue for Mr Rexrodt. There is already common ground between Mr Herman and Mr Piëch. Neither needs reminding of the Japanese threat, and both know that at some stage the bridges between their two groups must be rebuilt. But the best time is probably when the full extent of the local damage has been assessed, and last night seemed hardly suitable.

Good PR gives GM chief the edge

THE 'VICTIM'

THE PATCH of calm at the eye of the storm seems to suit Mr David Herman, chairman of Adam Opel, the German subsidiary of General Motors.

From his office in Rüsselsheim, near Frankfurt, little seen and seldom heard, he has conducted his company's campaign in the López affair with a conviction and consistency in striking contrast to the chaotic style of his Volkswagen counterpart, Mr Ferdinand Piëch.

Legal training embellished with a bit of New York street wisdom gained in childhood has given him an edge in the fracas over Mr Piëch, the engineer from Vienna. He has a mild, relaxed manner. Mr Piëch is tense and cold.

Mr Herman's standpoint has not wavered from the start of the affair this spring, when it became known that Opel had registered with the German public prosecution service its suspicions of the theft of thousands of items of secret data by Mr José Ignacio López de Arriortúa and several colleagues who followed him from GM to VW.

His often-repeated statement 'They had our documents. We don't have them now, and they say they don't. Then where the hell are they?' colourfully encapsulates Opel's case.

Reporters from the magazine, Der Spiegel, have been allowed a long leash and granted considerable access from the top level to Opel and General Motors employees and property. Starting in May, revelations and claims in the news weekly - many since strengthened or largely substantiated - have played a key role in Opel's strategy.

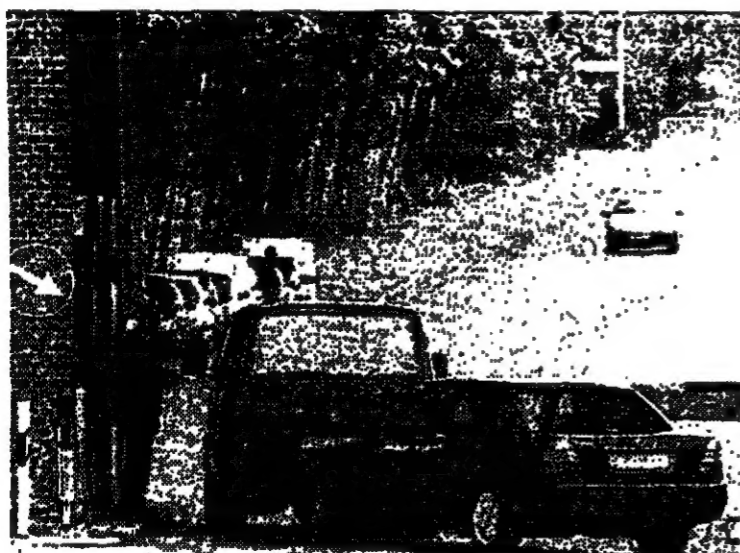
They have kept the public prosecutors on their toes. But more important, the magazine's reports are the source from which German popular and political belief in Opel's integrity and motives have grown steadily as the case has progressed.

Skilful public affairs management is not common or even much-valued in German industry. This is a failing which Mr Piëch and Mr Klaus Liesen, the worried chairman of his board of supervisors, have repeatedly acknowledged in the past few weeks.

While Mr Herman may be satisfied with his team's PR efforts, he has been hurt and shocked by the reaction. He said at the outset that he expected Opel and General Motors to be attacked. But his liberal American mentality was not prepared for repeated claims from Mr Piëch and Mr Gerhard Schröder, the prime minister of VW's home state of Lower Saxony, that this was a commercially-motivated attack by a 'foreign' company on Germany's finest. Adam Opel has been established for 130 years in Germany and provides and supports 400,000 jobs. Nor was Mr Herman, the lawyer, impressed by suggestions that he was using the law, out of pique, as a weapon in a personal attack on Mr López.

'Naiki' López was once a close colleague. They met first in the late 1970s when both worked for GM in Spain, where both were given their first real chance to prove themselves in business. Spain, where he met his wife, Mr Herman readily admits, 'is associated with all the best things that ever happened to me'.

Germany, where he has been in charge of Adam Opel for just over a year in the middle of what Mr Piëch describes as the worst motor industry crisis since the war, has some way to go to match that.



German police enter the VW headquarters early yesterday

Fascinated rivals watch 'miracle man' self-destructing

Kevin Done uncovers the private thoughts on the VW affair in other boardrooms

THE INDUSTRY

VOLKSWAGEN'S rivals are watching with horrified fascination as the top management of the leading European car producer threatens to implode.

The group's components suppliers, who are bearing the brunt of Volkswagen's frantic attempts to cut costs, react vitriolically in private towards the new regime in Wolfsburg headed by Mr Ferdinand Piëch and Mr José Ignacio López de Arriortúa.

In public they are more circumspect. After all, Volkswagen is one of their biggest customers.

The fate of Volkswagen leaves no part of the motor industry untouched. It is the world's fourth largest vehicle maker, behind only General Motors, Ford and Toyota. For eight years in succession it has sold more cars in western Europe than any other carmaker and in the process has established a clear lead over its rivals.

It is the main European standard bearer in the world motor industry and Europe's best attempt yet at creating a global carmaker with manufacturing operations stretching

from eastern Europe to Mexico and Brazil, South Africa and China.

In different parts of the world it has formed significant alliances with other giants in the industry, most importantly Ford in Latin America and Europe and Toyota in Europe and Japan.

It is a key customer of many of the world's leading components suppliers with purchases of parts and materials worldwide totalling DM53.8bn (£21.5bn) last year. The tremors from Wolfsburg travel round the world.

The unanimous view among rival carmakers and top suppliers is that Mr López cannot last much longer. And most are beginning to doubt that Mr Piëch will survive Mr López's departure. The credibility of both as the corporate leaders of one of Europe's biggest industrial concerns - whatever their abilities as engineers - is in tatters.

More important, beyond the personalities there is concern among suppliers about the symptoms of

mismanagement and misguided strategic thinking that may be common to both VW and General Motors, Mr López's former employer, as they seek to put their respective houses in order through short-term financial fixes from the messianic bearer of some new holy grail for cutting costs.

First the personalities. 'I think López is a dead duck,' says the chief

executive of one of the world's biggest automotive components producers and an important supplier to Volkswagen. 'I don't think VW can keep him. I think Piëch will go too.'

The head of a rival carmaker in Europe says of López, 'the smartest thing would be to suspend him and wait for the prosecutors and the courts to finish their investigations. But Piëch thinks he needs López

to help to turn VW round. Piëch is a zealot. He sees himself as the saviour.'

Competing carmakers give Mr Piëch credit for having identified the causes of VW's underlying problems, but not for his autocratic management style, which is seen as rule through fear.

'He has identified the main areas that need fixing,' says one chief

executive. 'Their costs are too high, they have too many people, their plants are over-facilitated, they have too many costs in Germany, and their material costs are not competitive.'

'But you cannot just order it to be done. It needs a softer touch. You have to take more people along with you. VW is still a magic marquee and they have reservoirs of technical

ability.'

The chief executive of another carmaker in Europe remains astonished at the size of the reported financial package given to Mr López and the impact that will have inside VW and outside in the industry. 'For that money you are paying a miracle worker. Then his colleagues will say, you are paid to work miracles, you fix it.'

Among some of the biggest components suppliers there is also concern at the way in which first General Motors, and now Volkswagen, are trying to batter down their purchasing costs.

The rhetoric in the industry is all about reform of the old adversarial relationships between the vehicle makers and their suppliers.

Some have taken the reforms seriously, forming long-term relationships with key suppliers, giving the suppliers responsibility for research and development but also giving lifetime contracts building on shared continuous improvement. Chrysler is now the shining example for the success of this approach.

The López approach is seen by

suppliers as having the same rhetoric, but in reality the old approach is unchanged.

'There is shock and confusion at suppliers. We have contracts where we have spent millions of D-Marks, where we have shaken hands, but where there were no formal signatures. And López came in and said he was putting the business out for new tenders.'

'López got carried away with himself in the US, he was given the role and mantle of saviour,' says a chief executive in the components industry.

Both VW and GM must now act to regain the confidence of their suppliers. Their approach hurts, because suppliers cut corners, they will not invest for the vehicle makers. There will be recalls, assembly lines shut down and customer dissatisfaction.'

In the bare-knuckle fight with GM over Mr López and industrial espionage, Mr Piëch has cast himself as the saviour of the European car industry, but his performance to date has won few converts among his peers.

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Germany to tighten curbs on far right

By Ariane Genillard in Bonn

MR Manfred Kanther, Germany's interior minister, yesterday pledged to step up surveillance of far-right organisations as the number of racist crimes was reported to have risen dramatically last year.

Crimes committed by far-right groups increased by 70 per cent in 1992 to 2,684, of which 17 led to deaths. More than 90 per cent of the violence was directed against foreigners, the office for the protection of the constitution, the German internal security agency, said in its annual report. The wave of politically-motivated violence is continuing this year, with 1,300 crimes reported in the first six months.

The number of people joining far-right organisations rose by 2,000 to nearly 43,000 last year. Members were spread in 82 groups, as compared with 76 the year before.

Mr Kanther said the security services would intensify their surveillance of groups from both the far right and the far left. But he stressed that police and legal actions should be combined with social and educational measures to prevent more youngsters from joining existing far-right organisations.

Mr Kanther blamed the media for showing violence on television and called on municipalities to take measures to get young, jobless people "off the streets".

Such words are likely to provide little comfort to organisations which have been lobbying for tough action to crack down on far-right violence.

Leaders of the local Turkish community, whose members have been regularly singled out for murder attempts, have been calling for a strict anti-discrimination law as well as bans on extreme political organisations. They say that the conservative government has been reluctant to investigate the links between the aggressors and far-right political groups.

The federal interior ministry last year banned three of the 34 existing far-right groupings in Germany.

Legal suits have also been brought against two of their leaders for abusing the freedom of expression guaranteed in the constitution.

Mr Kanther said bans were a last resort. He added that no new law was needed but that the existing legal framework should be improved. Measures proposed by the government aim to facilitate police investigations and to introduce higher penalties for people obstructing the judiciary.

Far-left groupings increased their membership by 2,000 last year to 28,500 members.



The UN under secretary-general for peacekeeping, Mr Kofi Annan, entering the Bosnian presidency building in Sarajevo yesterday for a meeting with President Alija Izetbegovic

Bosnian peace plan awaits final Moslem verdict

By Laura Silber in Belgrade and Michael Littlejohns, UN Correspondent in New York

THE future of the peace plan for Bosnia today hangs in the balance as the three ethnic assemblies vote on a proposal to divide their republic.

The Bosnian parliament was seen as holding the most crucial vote as Serb and Croat assemblies were likely to back the plan after endorsement by their leaders. Mr Alija Izetbegovic, Bosnia's president, has already said he could not support the proposal which leaves the mostly Moslem republic with disjointed landlocked territory.

Bosnia's Serb, Croat and Moslem leaders are due to return to Geneva next week to deliver the verdicts of their assemblies.

Deputies to the Serb assembly yesterday met behind closed doors in Pale, their mountain stronghold outside Sarajevo, amid reports of complaints that Serb leaders had given too many concessions to their rivals.

The proposed map, put forward last week by Lord Owen and Thorvald Stoltenberg, international mediators, in an attempt to end the 17-month war gives Serbs about 54 per cent of territory, Croats 17 per cent, and Moslems some 28 per cent.

In a move to consolidate his control over the Yugoslav

army, Serbian President Slobodan Milosevic yesterday sacked 43 generals, including chief-of-staff General Zivota Panic. He will be replaced by Gen Momcilo Perisic, age 49, who was promoted to that rank during the Croatian war. He drew widespread criticism from western diplomats in April 1992 for ordering intense bombardment of the south-western town of Mostar, now consumed by Croat-Moslem clashes.

The European Community yesterday said it would study how it can help administer Mostar provided Bosnia's warring parties accept a Geneva peace deal.

The carefully worded statement, issued through the Belgian presidency, avoided any final commitment to the idea announced by Lord Owen last week that the EC should take charge of administering Mostar for two years.

In New York, it was announced last night that Mr Thorvald Stoltenberg, the UN special envoy, and Gen Jean Cot, force commander, had ordered an investigation into allegations of "improper conduct" by UN troops and civilian personnel in former Yugoslavia.

This was focusing on Sarajevo where some UN soldiers and civilians are alleged to have trafficked in drugs and engaged in black marketeering and a prostitution racket.

UN chief to warn Nato on troops

By Michael Littlejohns at the UN, New York

MR Boutros Boutros Ghali, the UN secretary general, is expected to tell Mr Manfred Wörner, the secretary general of Nato, that the UN will be unable to provide the estimated 40,000 additional peacekeepers needed to enforce any Bosnia settlement because of lack of funds.

Mr Boutros Ghali will meet Mr Wörner in Geneva next Monday, when talks between the warring parties are scheduled to resume. Mr Boutros Ghali has already given this message to Mr Thorvald Stoltenberg, his representative in the peace talks.

Also, the secretary general believes the proposed number would be unacceptable to the UN Security Council, although it is substantially lower than the 50,000-75,000 troops envisaged in an earlier, now defunct, plan drafted by Mr Cyrus Vance and Lord Owen.

Despite personal appeals to government leaders, the secretary general has been unable to obtain more soldiers to bring operations in Somalia, former Yugoslavia and elsewhere up to strength.

Some troop contributors have been waiting 10 years for payment.

Mr Boutros Ghali warned members recently that if he did not receive new funds soon the UN would be bankrupt by the end of this month.

Paris comes to terms with new monetary order of the ERM Hybrid policy found for franc

By John Riddling in Paris

FRANCE'S political and financial leaders have been tight-lipped about the direction of monetary policy in the three weeks since the European exchange rate mechanism was forced into humiliating reform.

However, remarks by Mr Edouard Balladur, the French prime minister, that France is in no hurry to return to the narrow fluctuation bands within the ERM suggest the French government is coming to terms with the new monetary order.

"It was a revealing comment," says Mr Christopher Potts, economist at Banque Indosuez in Paris. "It shows they are following a hybrid policy which is neither a free float nor a system in which interest rates are determined solely by the exchange rate."

Under the former system, the French franc could fluctuate by a maximum of 2.25 per cent from its central ERM parity. The currency crisis, however, broke the franc's close link with the D-Mark and forced the fluctuation band to be widened to 15 per cent.

The reform undermined the

France expects the headquarters of the future European central bank to be located in Germany but wants it to be somewhere other than the "powerful" financial centre of Frankfurt, the foreign minister, Mr Alain Juppé, said. Reuters reports from Paris. Mr Juppé told the newspaper *Le Croix* that France agreed that Germany would win the bank's headquarters after European Community leaders decided last year to allow Strasbourg to remain home to the European Parliament. "We would prefer that it be in a city less financially powerful than Frankfurt."

central plank of French monetary policy, a strong franc and the tight link with the D-Mark. It presented Mr Balladur and the French financial authorities with the question of how to manage monetary policy in the new European exchange rate environment.

Mr Balladur's comment points to some answers. "We must not return in all haste to the narrow band of currency fluctuations. Neither must we seek, or without seeking it, get to the point where the wide band is reached," the prime minister said.

The implication is that the French government is adopting a more pragmatic stance to exchange rate and interest rate policy. "Their boundaries are less rigid than before," said one French economist. "Interest rates have a slightly higher

priority than before in guiding policy." For the French government, this stance has several advantages. It gives them room for manoeuvre in cutting interest rates to help stimulate the recession-hit economy. The removal of tight exchange rate targets also increases the risks for currency speculators - strongly attacked by Mr Balladur for causing the currency crisis.

But the government's response to the new European monetary order does not represent a radical shift in economic policy. The currency will remain an important constraint on reducing borrowing costs and the prime minister has consistently ruled out a strategy of rapidly reducing borrowing costs as the British did after the pound was forced out of

the ERM in September last year. "There are no miracle cures for our economic difficulties," said Mr Balladur on Wednesday, emphasising his continued commitment to anti-inflationary policies.

For interest rates, the result is likely to be a continuation of the policy of gradual reductions. Overnight rates have been trimmed five times since the ERM reforms, bringing money market rates down to near pre-crisis levels. The 5- to 10-day rate and the intervention rate, which provides a floor for money market rates, remain unchanged at 10 per cent and 6.75 per cent respectively, but economists believe they, too, will be edged gradually downwards.

The pace of cuts will continue to be influenced by events in Germany. The refusal by the Bundesbank to cut interest rates yesterday may affect the timing of reduced borrowing costs.

However, it should not change fundamentally the process, and should drive home the arguments for a more independent approach to French monetary policy.

IMF criticism jolts Stockholm

By Hugh Carnegie in Stockholm

SWEDEN'S centre-right government was jolted yesterday by a leaked report from the International Monetary Fund which said its programme to cut the country's huge budget deficit was inadequate.

Publication of the report in a daily newspaper provoked a slide in the value of the

Swedish krona and a rise in interest rates.

The IMF report said it would prefer to see savings of Skr20bn (£1.65bn) a year, double the government's current plan to trim Skr10bn in spending.

The budget deficit stands at 16.5 per cent of gross national product, a level which the report said "dwarfs those in other industrial countries and provokes doubts about

Sweden's commitment to low inflation".

The fund said its proposals would bring the budget deficit down to zero in 1998, compared with the government's target of 4.3 per cent.

Mrs Anne Wibble, the finance minister, defended her policies, saying they provided "the best balance" for Sweden, given the need for a return to growth next year after a three-year period of recession.

She pointed out that most domestic political pressure was for fewer cuts, not more. Nevertheless, markets reacted badly to the report of the IMF comments.

The krona slipped sharply despite intervention by the central bank.

On the foreign exchange market the D-Mark rose to Skr4.88, up eight since late Wednesday, then eased to Skr4.8680/30.

Global warming pact progresses

By Frances Williams in Geneva

THE INTERNATIONAL global warming treaty signed at the United Nations "Earth Summit" in June last year looks set to come into force ahead of expectations early in 1994, according to UN officials.

However, two weeks of negotiations in Geneva on the detailed implementation of the pact are due to end today without agreement on key issues such as finance and "joint implementation" - under which rich countries would gain credit for financing projects in poor states.

The framework treaty, signed by more than 160 nations, commits governments to curbing emissions of greenhouse gases

which warm the earth's atmosphere. It has now been ratified by 31 nations, against 50 required for entry into force, and another 34 have said they will ratify this year.

The pact will not, however, be fully operational until final decisions on its functioning are taken by a conference of member states tentatively scheduled for early 1995.

The most contentious issue for the 18-nation Geneva negotiations, intended to pave the way for the 1995 conference, has been the criteria for "joint implementation". The idea is disliked by environmentalists who fear it will weaken the resolve of industrialised countries, the biggest producers of warming gases, to curb their

own emissions. Supporters argue that it makes sense to start reducing global emissions where this can be done most cheaply and easily, which will often be in developing countries with low environmental standards.

On financing, developing countries are unhappy about the potentially dominant role of the Global Environment Facility run by the World Bank and the UN, which they see as an extension of western and World Bank interests.

Negotiators in Geneva, who will meet again next February, have also not yet agreed which countries will be eligible for financial help and which projects should qualify.

NEWS IN BRIEF

Efim's creditors may be repaid loans soon

CREDITORS to Italy's former Efim state holding company, put into voluntary liquidation in July 1992, could shortly be repaid half their loans, writes Haly Simondian in Milan.

Mr Alberto Predieri, the special administrator appointed to run Efim, said he had been authorised by the European Commission to begin repaying loans to the group's wholly-owned subsidiaries. Mr Predieri, who plans to meet Bank of Italy and treasury officials next Tuesday, said he hoped the repayments could begin next month. The remaining half of the loans is expected to be repaid by the end of the year.

Creditors have been waiting almost 14 months for reimbursement of their loans to Efim, which had total borrowings of about L18,000 (£7.6bn).

Danish shipyard subsidies

Danish shipyards will receive a Dkr600m (£57.7m) subsidy package following an agreement yesterday between the industry ministry and key opposition parliamentary parties, AP-DJ reports from Copenhagen.

Unemployment in the Danish ship building sector has risen significantly in the last six months because of declining orders. The subsidy put forward by the government will take the form of loans at favourable interest rates for shipping lines ordering vessels from Denmark.

Yeltsin gesture on Prague '68

Mr Boris Yeltsin, the Russian president, yesterday signed separate friendship and co-operation treaties with the Czech and Slovak republics, writes Patrick Blum in Prague.

The treaties aim to set bilateral relations on a new footing and overcome memories of the Soviet-led invasion of the former Czechoslovakia in 1968.

EC inflation climbs two points

The annual rate of inflation in the European Community rose two points to 3.5 per cent in July from June's 3.3 per cent, the first rise in more than a year, Reuters reports from Brussels.

The Community's statistical office, Eurostat, said that the annual rate of inflation in the 12-nation bloc had fallen steadily since May 1992. In July last year it was already down to 3.9 per cent. The statistics office said last month's rise was primarily due to marked increases in inflation in Belgium, the Netherlands and Portugal.

Turkish central bank head

Turkey has appointed Mr Bulent Gultekin, a former advisor, to head the central bank, filling the first of a number of key positions made vacant since Mrs Tansu Ciller became prime minister in June, writes John Murray Brown in Istanbul.

Russians offer three economic options to CIS

By Leyla Boutoun in Moscow

RUSSIA is offering members of the Commonwealth of Independent States a choice of three options for economic relationships and co-operation.

Mr Herman Kuznetsov, deputy head of the government committee which deals with commonwealth republics, said the first option was an 10-year treaty providing for the gradual construction of economic union.

A fast-track agreement for "intensive economic integration" was a second option, now being envisaged only by the three Slavic neighbours, Russia, Ukraine and Belarus. This would be in the form of a common trading area without internal customs barriers and with a common currency.

It would also give Ukraine a "way out" of its indebtedness to Russia by providing for joint ownership of valuable Ukrainian refineries and other industrial installations starved of Russian raw materials.

A third option, which any commonwealth member could combine with either of the economic union treaties, was for a currency union.

This would create a new type of rouble zone which he compared to the *zone franc* operated by the Banque de France in some African countries.

Mr Kuznetsov explained that this menu of options, although complicated, was designed to help the CIS out of a rut whereby for the past 18 months all its members "had been equal but nothing had been achieved". Under the currency

Russia reduced gas supplies to Ukraine by more than a half yesterday over Kiev's failure to pay for previous deliveries. Reuters reports from Kiev.

Mr Tadei Mykhailovich, chief dispatcher at Ukraine's Ukrasprom state utility, acknowledged that Ukraine had debts of more than Rhs600bn (£403m) for gas deliveries but said it was up to the two governments to deal with payments.

union plan, initiated so far by Russia, Kazakhstan, and Uzbekistan, countries would use the rouble as their national currency after adjusting their credit, budget, and monetary policies in line with Russia's. War-ravaged Tajikistan had expressed a desire to join, while Belarus was still making up its mind. With this option, he said that the Russian government was trying to "make something useful" out of the central bank's invalidation of pre-1993 banknotes, with which it had tried to wean the republics off the rouble in one stroke.

Mr Kuznetsov acknowledged total currency union was the most difficult option to implement. It would take several months to establish but republics might view it as an assault on sovereignty.

The Russian cabinet has rejected the resignation of Mr Sergei Glaziev, the foreign economic relations minister. Mr Glaziev had offered to resign over pressures from officials whose corrupt interests he said he had threatened.

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NEWS: INTERNATIONAL

Uncertainty on return of Shonekan

By Michael Holman,
Africa Editor

THE triumph of hope over experience may be the kindest assessment of Chief Ernest Shonekan's decision to accept the job as leader of Nigeria's interim government. The 57-year-old former industrialist and lawyer took on much the same duties when sworn in last January as chairman of the country's transitional administration, promising to revive Nigeria's lapsed structural adjustment programme.

Eight months later the economy is in deep crisis and few if any of the promises were implemented. Mr Shonekan, one of the country's most respected businessmen, had been seconded from the chairmanship of United Africa Company Nigeria, the Unilever subsidiary, and drew heavily on the advice of the business community. The result was the 1993 budget - a ringing reaffirmation of the necessity of reform and the overriding need for prudent management.

"We must make some hard choices now to preserve the gains of the structural adjustment programme and restore some good measure of stability to the economy," said Mr Shonekan. But his administration failed to tackle fundamental issues notably managing the exchange rate, reducing the budget deficit and cutting subsidies on domestic petrol.

He said that Nigeria would reach an agreement with the IMF by August, which would allow rescheduling of the country's \$34bn external debt proved to be wishful thinking.

Within weeks it became apparent that he lacked the authority to implement tough decisions. Senior officials complained that power continued to lie in the hands of President Ibrahim Babangida and the military.

Today, as in January, the challenge facing the new administration remains that of budgetary reform, and reducing a fiscal deficit averaging 7.7 per cent of GDP since the structural adjustment programme was launched seven years ago.

The new administration will also have to tackle what is perhaps the most sensitive issue of all: monitoring the export earnings of nearly 2m barrels of oil a day. As much as 200,000 barrels a day are not properly accounted for. Some of the proceeds are diverted into special accounts for military expenditure, the Ajakuta steel project or spending on the yet to be completed federal capital of Abuja, and an undisclosed amount used as patronage.

Will the soldiers back the chief this time round? Mr Shonekan can point to one encouraging indicator: the decision earlier this week to raise domestic fuel prices ten-fold. But the government will be expected to put the budget blueprint into practice before agreement with the IMF can be reached. Such a track record would require at least six months before credibility is established. By then Nigeria, which would be preparing for the run of presidential elections. At a time when continuity in policymaking is essential, Nigeria seems set for a further period of uncertainty.

US in dilemma on dealings with China

Can differences be contained or are the two sides closer to rupture? Tony Walker asks

WINSTON LORD, the US under-secretary of state, could hardly have expressed the American dilemma over its dealings with China more succinctly. "Our policy challenge is to reconcile our need to deal with this important nation with our imperative to promote international values," he told the Senate earlier this year. "We will seek co-operation with China on a range of issues. But Americans cannot forget Tiananmen Square."

Just how difficult it is proving for the two sides to achieve harmony in their relationship was amply demonstrated again this week when the US, in protest at Chinese sales of missile technology to Pakistan, imposed sanctions on the export of high-technology items to China, and Beijing responded angrily.

Scarcely a week passes, it seems, without some further irritation to relations, involving disputes over a whole range of issues, from human rights to the transfer of military technology.

In Beijing, US officials say that given domestic pressures on any US administration by vocal and well-organised interest groups, it is inevitable that Sino-US relations will have their ups and downs. The question is whether differences can be contained, or whether the two sides are coming closer to serious rupture.

"The problem is," said one official, "that there is no overarching concept of what the relationship should be. When Nixon signed the Shanghai Communiqué in 1972, no one had any idea that within a couple of decades it would have developed as it has. For example, in the 1972 document there was hardly a reference to business."

"Another problem," he said, "is that Chinese tend to entertain higher expectations of the relationship than we do. They have convinced themselves the relationship is more important to us than it really is."



China's Premier Li Peng (centre), who last appeared in public in late June, re-emerged yesterday to greet his Thai counterpart, Mr Chuan Leekpai (left). Mr Li, who has been suffering from a heart condition, told reporters on Tiananmen Square after a ceremonial welcome for Mr Chuan that his health was "very good", but he declined to elaborate on when he would resume his duties full-time.

relationship than we do. They have convinced themselves the relationship is more important to us than it really is. "What over the truth, there is no doubt that there is often a disconnect between US policy towards China and expectations in Beijing. This tends to heighten disappointment among Chinese officials when things go wrong, and risks provoking an overreaction."

So far, and certainly since relations began picking up again in 1991, after the chill caused by the Tiananmen massacre of 1989, periodic rows have been contained, and business has proceeded more or less as normal.

US officials appear confident it would take a fairly extreme development to push the Chinese into some form of retaliation that might in turn invite further American measures, say on the trade front. They point out that China's trade surplus with the US reached \$18.2bn (\$12.2bn) last year, is second only to that of Japan, and is growing faster.

In evidence to the US Congress this month, the Central Intelligence Agency predicted Chinese exports to the US this year would exceed imports by \$24bn, 30 per cent up on 1992. With Congress increasingly restless over the US trade deficit, China, along with Japan, can expect a rocky road ahead. It would be surprising if Chinese patience were not wearing thin.

Starting last year with the row over President George Bush's decision to allow the sale of F-16 aircraft to Taiwan, irritations have included the long argument over renewal of the Most Favoured Nation trading status, frequent exchanges over human rights, and recently a row over US interference with the passage of a Chinese ship to the Middle East that Washington claimed was carrying material to be used for making chemical weapons.

Most galling for China, which has set its heart on securing the 2000 Olympics, may well have been last month's congressional resolution opposing Beijing's candidacy. Indications that the Clinton administration sympathises with the congressional majority have sharpened Chinese annoyance.

Mr He Zhenliang, head of China's Olympic Committee, said recently he was "totally against" Congress's action "because it's an infringement of the Olympic principles, and that's unacceptable."

No country is perfect," he added, "even the US."

Adding to present uncertainties about how China might react to persistent American pressure on a number of fronts is the fact that the Chinese are undergoing a leadership transition, with various groups and individuals jockeying for power in preparation for the passing of the scene of the ageing paramount leader, Mr Deng Xiaoping.

Hard-line elements have made little secret of their unhappiness over what they regard as unwarranted American interference in Chinese affairs. They harbour suspicions that the US is motivated

partly by a wish to weaken, or at least restrain, China's growing power and influence in Asia and beyond. They are also outraged by what they see as high-handed US opposition to Chinese arms sales, arguing that China's weapons exports amount to only a fraction of those of the US.

Mr Lord would not necessarily have endeared himself to the present generation of Chinese leaders when he told the Senate that the US should "conduct a nuanced policy towards Beijing, until a more humane system emerges."

"Stunning China is not an alternative," he added. "We need both to condemn repression and preserve links with progressive forces which are the foundation of our longer-term ties."

Officials said sanctions were unlikely to damage Pakistan's economy, since US aid had already been cut off because of allegations over Islamabad's nuclear programme.

Mr Abdul Sattar, Pakistan's foreign minister, yesterday accused the United States of acting on wrong information and groundless suspicion in applying new sanctions against Pakistan, writes Farhan Bokhari from Islamabad. He said Pakistan regretted the move, which came in the wake of allegations that Pakistan and China had breached the International Missile Technology Control Regime (MTCR). Mr Sattar denied that Pakistan had violated the MTCR, although it had not yet formally ratified the regime. China had provided a small number of short-range tactical missiles to Pakistan several years ago, he said. It had done so after Pakistan was attacked by Soviet-made Scud missiles, from Afghanistan.

Officials said sanctions were unlikely to damage Pakistan's economy, since US aid had already been cut off because of allegations over Islamabad's nuclear programme.

N Korea in grip of 'collapsists' and 'gradualists'

John Burton on some new (and some old) delights for Pyongyang watchers

NORTH KOREA is on the brink of collapse. The 51-year-old president Kim Il-sung, who has ruled the country since 1945, is dying. His son and heir, Mr Kim Jong-il, has been severely injured in a car crash.

There is unrest in the army. A group of high-ranking military officers have been executed for plotting a coup. Meanwhile, food riots are sweeping the country as a hungry populace faces the threat of starvation.

That is what is happening in North Korea according to the rumours and reports that have circulated in Seoul this summer.

But many of these same stories have been heard for the past decade and the latest spate of reports are either unconfirmed or have proved to be false.

For example President Kim

and his son were certainly not bedridden when they appeared at a ceremony commemorating the 40th anniversary of the Korean War armistice recently. Sources of information on North Korea are scanty: the country's media, diplomats based in the capital Pyongyang, the occasional defector, and foreign travellers, mainly ethnic Koreans who are allowed to visit relatives.

"North Korea is a great black hole in terms of information and people like to fill it with their own wishful thoughts," said Mr Michael Breen, a consultant on North Korea for Seoul-based Merit Communications.

"Anti-communists look for signs of imminent collapse, while South Korean officials, who prefer a gradual approach

to unification, search for evidence of stability in the north." The difference in interpretation also extends to North Korea watchers, who are divided into two camps: "collapsists" who forecast the swift downfall of North Korea, and "gradualists" who believe that the country can survive if pragmatic economic reforms are introduced soon.

"We know the economic situation in North Korea is serious," said Mr Tae Hwan Ok, research director for the Research Institute for National Unification. "But there is little reliable information to know what is really happening there."

There are few doubts that the North Korean economy is deteriorating after more than a decade of stagnant growth. A

drastic cut in economic aid, including vital oil supplies, from China and Russia, has caused an energy shortage and greatly reduced industrial production.

South Korea's central bank estimates that the North Korean economy contracted by 7.6 per cent in 1992 for a third consecutive year of decline, after a 3.7 per cent drop in 1990 and a 5.2 per cent drop in 1991.

Adding to the economic problems is a shortfall in grain production, the result of bad weather and a lack of fertilisers and pesticides as the energy-strapped petrochemical industry fails to meet demand. There have been persistent rumours of food riots in the country since 1991, although none has been confirmed by reliable sources, according

to South Korean officials. There has been speculation that spreading food riots may be the reason why North Korea has tightened restrictions on foreigners travelling to the country since May.

Pyongyang, for example, reduced sailings this summer of a passenger ship that carries Korean-Japanese visitors between Nigata, Japan and Chongjin, North Korea. It said yesterday that regular sailings would be resumed next week.

However, said analyst, "food shortages would more likely occur in early spring as stocks become depleted after the main fall harvest rather than during the summer when other food products are available."

Instead, the travel restrictions may be related to North

Korea's dispute with the international community over the inspection of its nuclear facilities, he said. "The North Koreans don't want foreigners prying around at such a sensitive time."

Most North Korea watchers believe, however, that there have been isolated raids on local grain depots and food supply trucks by hungry citizens.

"Our assessment is that public loyalty to Kim Il-sung remains firm despite the economic problems," said Mr Ok. "We see no indication of a revolution brewing from the bottom up." If a food riot took on anti-government overtones, it would be quickly crushed, he added.

However, the Korean peninsula is expected to suffer a

Jericho plan could break Mideast deadlock

By Julian Gattuso in Jerusalem and Mark Nicholson in Cairo

A PALESTINIAN proposal for an immediate Israeli withdrawal from the occupied Gaza Strip and West Bank towns of Jericho could help break the deadlock in Middle East peace talks, a senior PLO official said yesterday.

Mr Nabil Shaath, PLO peace talks co-ordinator, said the idea - dubbed the "Gaza-Jericho First" - could bypass arguments about who should control Israeli-occupied Arab East Jerusalem which have brought the negotiations to a standstill.

The proposal is emerging as one of the most controversial gambits made by Mr Yassir Arafat, PLO chairman, and is likely to drive the next round of Arab-Israeli negotiations which resume in Washington next week.

It envisages an immediate Palestinian assumption of full authority and independence in Gaza-Jericho, leaving the rest of the West Bank under interim self-rule.

The idea has excited many Israelis and Palestinians who believe it could help make progress in the stalled peace process after 22 months of fruitless negotiations. But the proposal has also spurred a revolt within the Palestinian leadership over what, if any, concessions must be made to Israel to reach a peace agreement.

Palestinians who support the plan say it would produce some permanent independent entity immediately, guarantee the PLO a governing role and attract desperately-needed foreign financial aid.

Israel has indicated its willingness to discuss withdrawal from the Gaza Strip, the violent and economically-decimated home to 800,000 impoverished Palestinians.

But Jerusalem has so far remained silent on Mr Arafat's demand for the inclusion of an enclave around Jericho in the plan.

Israel, which would like to be rid of Gaza, has also made reservations about a full transfer of power and the establishment of what would be effectively a Palestinian mini-state. It is clear that in return for accepting the idea, even in a modified form, Israel would expect big concessions from Palestinian negotiators on their demand for territorial sovereignty during an interim period of self-rule over Arab East Jerusalem and the Israeli settlements in the West Bank.

Zimbabwe group aims to buy blocked funds

A ZIMBABWE tourism company is trying to buy blocked funds from former Zimbabwe residents or foreign companies to finance its equity investment in the Victoria Falls Safari Lodge and time-share scheme.

The company, Glynn's Holdings, has been advertising internationally for sellers of blocked funds who wish to remit their cash immediately, rather than having to wait until the funds, which are held in 4 per cent 12-year or 20-year

"divestment bonds", reach maturity.

Glynn's is reported to be seeking sellers of \$10m worth of the bonds, of which there is an estimated \$60m which has been blocked in Zimbabwe by exchange controls over the years.

With the Zimbabwe dollar having devalued from 68 US cents when exchange controls were tightened in 1984 to 15 cents today, many holders have been only too happy to sell out.

Qureshi seeks to end deepening malaise

IN his 3½-month stint as Pakistan's caretaker prime minister, Mr Moen Qureshi is seeking to reverse years of profligate mismanagement which have left the country's finance in total disorder.

It is not clear to what extent the ambitious programme of economic measures that he announced last week will endure when a new government, subject to familiar political constraints, takes office after elections on October 6. But Mr Qureshi, who has no political affiliations after a 33-year career in Washington with the World Bank and International Monetary Fund, will have left an important legacy if he succeeds in beginning a recovery from what he sees as a deepening malaise in Pakistan.

His initiative goes much further than dealing with a budget crisis. According to Mr Shahid Javed Burki, a senior World Bank official who advised Mr Qureshi on the measures, the prime minister chose to address long-standing problems of which the most important was "a steep deterioration in the social order."

Mr Burki says there has been a collapse of law and order and of the supply of basic services, such as safe drinking water, sanitation and electricity, to the community - with the rich using their wealth to circumvent such problems. He says disorder is the product of a political system in which governments have "failed to inculcate a sense of honesty and integrity among officials."

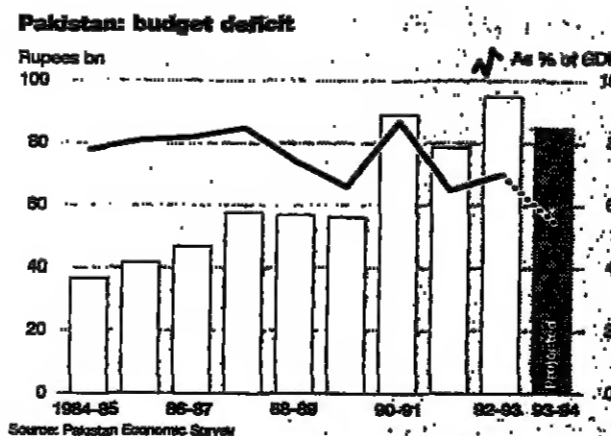
Mr Qureshi took over, following the resignations of prime minister Nawaz Sharif and President Ghulam Ishaq Khan in July, to find the finances in

Farhan Bokhari and Alexander Nicoll consider the implications of the Pakistani premier's ambitious new programme of economic and social measures

a parlous state. Official foreign exchange reserves were dangerously low after months of political turmoil. Inflation was rising rapidly as the government printed money to finance a spiralling budget deficit.

Among emergency measures, Mr Qureshi suspended costly programmes such as a scheme under which members of parliament were given government funds for development projects in their constituencies. A "yellow taxi" scheme, a pet project of Mr Sharif, had seen Rs15bn (\$312m) lent to importers of 51,000 foreign cars which, because they were to be used as taxis, were subject to reduced import duties. Mr Qureshi suspended it as well as a planned "yellow tractor" scheme. Construction of motorways on which work has not yet started is expected to be put off.

Mr Qureshi devalued the rupee by 9 per cent in order to discourage imports and boost exports after a \$3.36bn (\$2.18bn) trade deficit in the financial year which ended



June 30. Interest rates were increased by two percentage points, and a quick-disbursing loan was sought from the IMF. Official reserves have risen to \$400m or about 2½ weeks' imports from the lowest level of around \$250m last month, and the haemorrhage in the government's finances has been halted.

Equally important, however, are the longer-term reforms which Mr Qureshi has begun. Taxes have been imposed on both the income and wealth of Pakistan's feudal landowners, previously exempt because of their political influence.

Though this means defying powerful vested interests, the government may believe that the new taxes would be politically difficult to undo. Secondly, Mr Qureshi is seeking to tighten control over the banking system and to distance banks from political influence by granting autonomy to the State Bank of Pakistan, the central bank.

"In recent years we have seen virtually the rape of the commercial banks owned by the state," says Mr Burki. Governments, he says, had no compunction about ordering banks to make large loans for political purposes.

Thirdly, Mr Qureshi has outlined plans to step up the privatisation programme, with most of the state's substantial assets up for sale, and to open state monopolies in utilities to private competition. Proceeds are to be used to retire government debt, servicing of which currently eats up some 40 per cent of government revenue.

Other steps to cut the budget deficit to a targeted 5.5 per cent of gross domestic product include removal of subsidies on fertilisers; a campaign to force payment of Rs16bn of unpaid bills to the telephone and electricity companies - defaulters are warned that their names will be published in newspapers; and a 10 per cent rise in petroleum product prices.

More broadly still, Mr Qureshi

has taken steps designed to restore public confidence in official institutions. These include plans for tribunals to which citizens could appeal against malpractice by customs or income tax officials; a commission to speed up slow judicial processes which, according to Mr Burki, are causing a breakdown in the legal framework which surrounds business transactions; and tightening of rules on the distribution of public assets such as land to government officials.

Will Mr Qureshi's programme last? The measures were discussed with leaders of the main political parties, and officials say they did not disagree privately although they are expected to criticise them during the campaign.

The government is banking on three hopes: that the need for a \$1bn medium-term IMF loan will force the new government to adhere to the plans, which have the IMF's backing; secondly that the new government will allow Mr Qureshi to take the heat for politically unpalatable measures but will not rescind them; and thirdly that support for Mr Qureshi by army generals - who worry that the budget situation might force cuts in defence spending - will help to give the programme longevity.

"These reforms have a good chance of survival because they are backed by powerful interests domestically and in the outside world, but there are new risks now of public unrest if life becomes too difficult in the coming months," says one leading banker - referring especially to the inflationary impact of some of the measures.

Telebrás head to testify in US broker row

By Christina Lamb in Rio de Janeiro and Bill Hinchberger in São Paulo

THE president of Telebrás, Brazil's state telecommunications company, has been called to testify before the country's Congress, to explain allegations that his former finance director attempted to extort \$15m (£10.1m) from Merrill Lynch, the US securities house. The allegations began circulating in the Brazilian financial markets in July, when Merrill Lynch was not appointed lead manager for the company's forthcoming \$500m launch of American Depositary Receipts (ADRs) in New York. Merrill Lynch had handled the company's Eurobond offerings and was expected to manage the ADR issue. The charges became public after the resignation of Mr Mauro Brito as finance director of Telebrás last week. Press reports in Brazil alleged that he had demanded money from Merrill Lynch for the firm to keep its position managing the issue. Mr Brito denies the allegations. Telebrás has made counter-charges, claiming irregularities in the launch of Eurobonds carried out by Merrill Lynch in 1991 and 1992, and claiming that the brokerage had received commission four

times higher than market rates.

According to the newspaper O Globo, Mr Iram Siqueira Lima, former finance director of Telebrás, has written to Mr Adyr da Silva, its current president, admitting that Merrill Lynch had received a commission above market rates for the Eurobonds issue. However, he pointed out that, at the time, Telebrás did not have a good image in the market and that Merrill Lynch had guaranteed to place all the bonds.

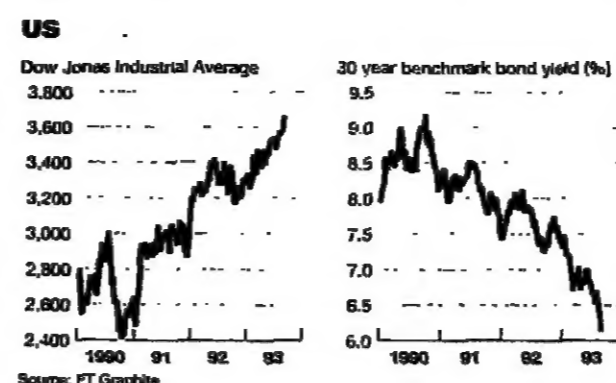
Merrill Lynch issued an official statement on Wednesday night denying the allegations: "[The company] strongly rejects any suggestion of irregularity in its dealings with Telebrás," it said.

Traders are watching events carefully, as Telebrás shares represent 60 per cent of the São Paulo stock market index and are a favourite of foreign buyers, often accounting for more than half of daily trading. Congressman Paulo Heuler, who demanded that Congress investigate, said: "These charges are damaging the image of Brazil overseas."

This is expected to delay the launch of the ADRs, which was expected before the end of this year. Another US securities house, Smith Barney Shearson, has warned clients that the launch might now take place in the middle of next year.

Economic signals flash red and green

Michael Prowse in Washington examines the conflicting figures in an attempt to see what they add up to



While signals from Wall Street could hardly be more encouraging, the real economy is very sluggish

edged forward at an annual rate of 0.7 per cent, thus failed to materialise. The robust 4 per cent growth of the last six months of the Bush administration has become a distant memory.

There are conflicting views about the immediate economic outlook. "The economy is going to continue to disappoint," says Mr Allen Sinai, a managing director at Lehman Brothers, the securities group. "It is hard to achieve growth when defence is being cut drastically, when state and federal government are holding down spending, when companies are

down-sizing, and when the rest of the world is extremely weak." Mr Sinai predicts a continuation of the sluggish economic recovery of the past two years, with growth likely to average about 2 per cent, far below the rate normal in a US recovery.

But other forecasters are far more optimistic. Mr Paul Mastrotto, senior economist at J.P. Morgan, the New York bank, continues to predict growth at an annual rate of nearly 4 per cent in the second half of this year. He does not expect the tax increases mandated in President Bill Clinton's budget

to have much effect on future growth on the grounds that the main measures have been known since late last year. The high-income individuals most affected by the budget have already had plenty of time to adjust.

He regards the economy's recent performance as much more encouraging than the headline figures might suggest. At 6.8 per cent, the jobless rate is nearly a percentage point lower than at this time last year.

Real gross domestic product is 2½ per cent higher. Business equipment investment is soar-

ing. Corporate profits continue to register double-digit increases. Inventories are very lean, suggesting that companies will have to step up production to meet higher consumer demand in the current quarter.

And although a higher trade deficit arithmetically subtracts from growth, the surge in imports last month provides further confirmation of relatively strong domestic demand. The rising external deficit is a sign that the US is growing faster than other countries, not evidence of weak competitiveness in traded goods sectors.

Looking forward, the domestic economic fundamentals are mostly highly encouraging. The inflation scare that worried the Federal Reserve earlier this year seems over: in the past three months consumer prices have risen at an annual rate of less than 1 per cent. Although few analysts expect prices to remain this subdued, the underlying rate of inflation has probably stabilised at 3 per cent, or conceivably a little less.

The decline in inflation, coupled with the passage of President Clinton's mildly deflationary budget, has prompted

sharp declines in interest rates of all maturities. As Mr William Griggs and Mr Leonard Santow, Wall Street bond market commentators, stressed in a recent circular, this is doing wonders for the health of sectors strained during the late 1980s.

Banks have increased their capital ratios and should feel more comfortable about lending. Companies and households have refinanced debt at much better terms and should be more willing to spend. The federal government is able to finance its considerable debt more cheaply.

Equally important, lower long-term interest rates lead to arithmetically higher share prices because they raise the present value of future corporate earnings. Higher share prices in turn raise the wealth - and hence spending power - of both the personal and corporate sector. There is no question that recent economic figures have been disappointing. But, since exports are still only about 12 per cent of gross domestic product, the US remains relatively well insulated from adverse international economic trends.

Given the strong impetus from lower interest rates, it would be surprising if economic growth does not accelerate later this year.

LOCALISING THE MULTINATIONAL

Technology for the Times

Founded 47 years ago by the late Tadao Kashio to make simple household utensils, Casio Computer is today a world leader in electronics and personal appliances. The company's founding principles of creativity and contribution are now enabling Casio to endure the present recession. Company President Kazuo Kashio explains how.

By Russell McCulloch



Mr. Kazuo Kashio, President, Casio Computer Co., Ltd.



Mr. Akira Shimizu, Managing Director, Casio Computer Co., Ltd.

McCulloch: Casio appears to be performing well despite the recession. Is this correct?

Kashio: It is true that during our last business year we managed an increase in sales to ¥431.6 billion although our ordinary income of ¥12.2 billion was some 45 per cent below target. This was due largely to exchange rate fluctuations between the yen and the US dollar and the major European currencies.

Of course, during the last period of currency appreciation between 1986 and 1988, the yen rose in value against the dollar by as much as 40 per cent in a single year while the recent growth in the yen's value has been far more gradual. The difference today, however, is that last time manufacturers pricing their items low could generate sales whereas now the currency is appreciating in the middle of a recession when consumers are extremely cautious.

However, I am heartened by the fact that the US economy is showing signs of improvement and I am confident that the fiscal stimulation packages recently announced by the Japanese Government will pull the domestic economy out of recession. For our full business year, Casio is expecting a 4 per cent increase in sales and a 13 per cent increase in ordinary income.

McCulloch: How will these results be achieved?

Lifting Local Content

Kashio: We can reduce the impact of currency fluctuations on our production costs by increasing local content ratios in those items we manufacture offshore. For example, we established Casio (Malaysia) Sdn. Bhd. in October 1990 and the Selangor plant, which commenced operations in June

1992, is now one of our largest offshore production bases.

McCulloch: How does Casio go about developing new products?

Kashio: To create demand, each time we develop new products we adopt a different approach. Already, the era in which product development relies on technological innovation has passed. Before we plan the product, we develop the concept.

Let me give you an example of using such an approach in the watch business. Until now, wrist-watches have been used to tell the time, but we think watches should not just be limited to this; they are things you can wear on your wrist to get all sorts of other information, not just time. This is what we call the successful application of concept development. At the Basel Watch Fair in Switzerland in April this year we unveiled our new digital compass watch—the first of its type in the world—which we believe will be particularly popular given the new interest in leisure both in Japan and overseas.

Another example of where the application of concept development has been very successful relates to our digital diaries for children. Casio has been a leader in the area of digital diaries for many years but our main target had previously been

male business executives. However, when market research suggested that young children were familiar with the term "Digital Diary" we decided to launch a range of products for children between the ages of 5 and 15 and also for young women.

McCulloch: Casio launched the Digital Diary Junior last year. Is that correct?

Children's Digital Diaries a Runaway Success

Kashio: The Japanese version went on sale last year and it was successful beyond our expectations. We sold over 300,000 units and it proved our theory that products for children offer the best protection against downturns in general consumer spending.

McCulloch: One of the most important components in those diaries is the Liquid Crystal Display and Casio is becoming increasingly active in LCD technical development. What is Casio's strategy in this sector?

Kashio: The beauty of the first LCDs was that they were light and thin, but they were incapable of reproducing images of the clarity provided by cathode ray tubes.

The next generation of electronic devices such as small screen TVs, notebook computers and even automobile navigation aids will incorporate Thin Film Transistors (TFT). These combine the benefits of both the first LCDs and cathode ray tubes.

As the LCD is such an important component for so many of our products, it is natural that we are active in their technical development as well.

April Opening of New TFT LCD Plant

We are one of the largest LCD manufacturers in the world. Next year, we will open a new high grade (TFT) manufacturing plant in Kochi Prefecture, south-west Japan. Last April, we began producing film LCDs which can bend and have a curve-shaped display and are thin as well as very strong to permit the manufacture of products with an entirely different design. We have already begun mass-production of the device utilizing the C.O.G. (Chip On Glass) technology which sticks LSIs directly onto the base of LCD glass. We are planning to invest ¥25 billion over the next two years in the research and development of LCD devices.

Sales for 1993 are targeted to be ¥50 billion, an increase of 40% over 1992. In 1996 our target is ¥100 billion.

McCulloch: In another area of electronics, Casio will soon begin marketing a new product it has developed jointly with Tandy Corporation of the US. Could you provide some details?

Kashio: We will launch our

next generation 'ZOOMER' computer later this year. Using a pen, data and other personal information can be input very easily. Products for managing personal data should be portable, contain useful functions and be reasonably priced, and 'ZOOMER' meets these criteria perfectly. In addition to many communications functions, its low power consumption also permits longer use.

Casio is a world leader in digital diaries for ordinary use and portable computers for business use and we are aiming to become a force in the increasingly competitive US personal computer market. To achieve this, we have formed a partnership with leading consumer electronics retailer, Tandy Corporation of the US which boasts an extensive sales network. Currently, we are also researching new markets outside the US in which to expand.

McCulloch: Casio recently established its European headquarters in London. What was the background to this?

Casio Europe Office Opens in London

Kashio: Due to changes in the company's structure we decided to establish a European headquarters to control all our European operations from one location, London. Until now each area had a separate sales responsibility, but now with the Single European Market, and also in order to clarify Casio's position within the market, we established a European headquarters to represent the company. We have appointed Akira Shimizu, a Casio board member who has considerable international experience, to be Chief Executive of Casio's European headquarters whose office will control the entire European sales network including our UK and German sales subsidiaries. Naturally, we want to ensure that local staff continue to provide the core of our organisation. However, Casio's representation in Europe is not just about sales. We want to deepen mutual understanding in every aspect to foster co-operation between the communities in which we operate.



President Clinton enjoys a holiday ice-cream - mango flavour

Clinton calls for floods rethink

By George Graham in Washington

THE Clinton administration is urging army engineers and other government agencies to look at different ways of controlling floods as they examine whether to rebuild dams and earthwork levees after this year's inundation of the Mississippi and Missouri river basins. In a memorandum greeted enthusiastically by environmentalist groups, the White House asked agencies to consider "non-structural alternatives" such as buying up farmland in the river plain to be used as catchment areas for future floods.

The White House paper says, however, that the administration does not intend to reject local demands that specific levees be rebuilt.

Environmental groups, such as American Rivers, have claimed that levees along the Mississippi forced the river higher than it would otherwise have been by denying it natu-

ral outlets to swamps and wetlands in the river bottom, and also encouraged people to build in flood-prone areas.

Nevertheless, most of the flood-walls and levees built and managed by the federal government, under the auspices of the Army Corps of Engineers, are likely to be rebuilt.

Federal levees, which typically protect large urban or industrial areas, are much higher and stronger than private earthworks. Only an estimated 40 per cent of the roughly 500 federal levees in the Mississippi and Missouri basins failed or were topped by this year's record floods, compared with around 85 per cent of private levees.

The Corps has already put out tenders for some immediate repair projects, and aims to get as much construction work done as possible before winter.

However, federal officials will also insist that many homeowners move to higher ground, leaving their land as a buffer zone for future floods.

Russia alters stand on Poland joining Nato

By Christopher Bobinski in Warsaw and George Graham in Washington

POLAND'S entry into the North Atlantic Treaty Organisation may have come a step closer after the apparent removal of Russian objections.

In a joint statement issued in Warsaw this week, Russia's President Boris Yeltsin and Poland's President Lech Walensa declared that Poland's wish to join Nato did "not run counter to the interests of any state, including Russia".

The possible expansion of Nato's membership to the east

is a core component in the debate over the alliance's future. But western governments have usually argued that Russian sensitivity to the inclusion of its former allies in Nato was the principal obstacle to such an expansion.

Many academics and some politicians argue that bringing countries such as Poland, Hungary and the Czech Republic into Nato could stabilise central Europe and help deal with the regional and ethnic conflicts on Europe's periphery.

A recent poll showed 57 per cent of Poles favoured Nato entry.

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NEWS: WORLD TRADE

Bae-Taiwan talks focus on finance

By Daniel Green in Taipei

TALKS on rescuing the proposed regional jet joint venture between British Aerospace and Taiwan Aerospace Corporation (TAC) yesterday splintered into a series of meetings largely among Taiwanese officials over the details of a draft deal.

Mr Denny Ko, TAC's president, was hopeful of agreement on the financial structure "within 24 hours".

A team led by Mr John Cahill, Bae's chairman, has been in talks with Taiwanese bankers, politicians and industrialists since Monday.

The joint venture, Avro, is central to his strategy to improve Bae's profitability. The RJ series of regional jets that it would build partly in Taiwan currently loses money.

A contract establishing the joint venture was signed last January, but Taiwanese banks lending money to Avro expressed fears last month that it was too risky.

The latest round of talks involved lawyers, the state-owned Chiao Tung Bank, which leads the consortium of lender banks, the Ministry of Economic Affairs, Taiwan's industry ministry, and other government departments.

Mr Ko also held meetings with Taiwan's defence ministry to discuss what part of the RJ programme could be most easily transferred to Taiwan.

The defence ministry's Aero Industry Development Centre (AIDC) would be involved in RJ assembly and the development of any new aircraft, called the RJ-X.

Major General Shin You-kwon, who heads the assembly of Taiwan's home-produced supersonic fighter aircraft, stressed the significance of winning RJ-X work.

"This project would bring real benefit in learning design and manufacture of civil aircraft," he said.

Taiwan has a well-developed military aerospace industry. More than 200 companies supply components to the AIDC. But the government halved its order for the supersonic fighter aircraft after it agreed last year to buy US and French fighters from General Dynamics and Dassault.

The government now wants to encourage the aerospace industry to diversify away from the defence sector.

It plans to turn AIDC into a semi-autonomous state company next July and privatise it towards the end of the decade.

Hungary awards telephone contracts

By Nicholas Denton in Budapest

US WEST, the US regional telecommunications company, has strengthened its leading position in eastern Europe's thriving mobile communications business by winning one of two concessions awarded yesterday by Hungary to run digital cordless services.

Fannon GSM, a consortium of national operators from the Netherlands, Denmark, Sweden and Finland, was unexpectedly awarded the second of the fiercely contested licences.

The "Nordic" group squeezed out a powerful coalition of Deutsche Bundespost Telekom, British Telecom and France Telecom, teamed together in the DBFH Consortium.

DBFH originally topped the bidding on concession fees with an offer of \$48m, followed by the US West consortium on \$46m.

But the Nordic group, previously third-placed with a submission of \$45m, is understood to have raised its bid at the last minute to \$50m.

Senior German, British and French diplomats intervened vainly yesterday with the Hungarian prime minister's office on behalf of DBFH, which later threatened "further steps".

Competition between the three leading contenders was fierce because there is tremendous suppressed demand for telephones in eastern Europe and the mobile communications market has shrugged off worldwide recession.

US West has recently won tenders to develop digital mobile networks in 10 Russian cities and to help operate analogue networks in the Czech Republic and Slovakia.

Bids are due in October for a stake of more than 30 per cent in Hungarian Telecommunications Company, Deutsche Telekom, as well as being leader of the DBFH consortium, is a prime contender in the privatisation of the state-owned national operator.

Strong yen goes shopping abroad

Michio Nakamoto and Victor Mallet on renewed exporting of Japanese production

THE RECENT sharp rise of the yen is forcing Japanese manufacturers to make plans to move still more of their production to low-cost factories overseas, which is delighting investment promotion agencies in the rest of Asia.

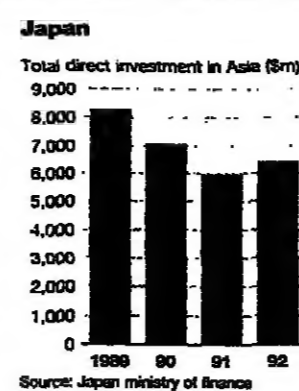
Japanese companies have been shifting production to other Asian countries since the yen began to strengthen in the mid-1980s. The depressed state of Japan's domestic economy has slowed the pace of new investment in south-east Asia in the past few years.

That slowdown is now likely to be reversed, Japanese and south-east Asian companies say, both because Japanese manufacturers are suffering from the strong yen and because Asia is the most promising growth market for consumer goods.

"The situation is similar to events in 1984," said Mr Tarrin Nimmannaseminda, the Thai finance minister, predicting increased investment and employment by Japanese companies.

The new investment is likely to come in two forms: multinationals with existing foreign operations will expand those facilities, and smaller and medium-sized companies will probably join the exodus from their high-cost home base.

In Thailand, for instance, Toyota is spending some \$570m to double its capacity to around 200,000 vehicles a year



Source: Japan ministry of finance

and improve its distribution network; Toshiba, which has had a television tube factory in Thailand since 1990, is increasing production by 70 per cent; and Oki Electric is doubling the size of its Thailand factory and adding image drums for printers to the products already produced there.

Japanese plants assembling cars and electronic goods in countries such as Thailand and Indonesia are expected to be joined by a growing number of components suppliers.

"I'm sure that many, many companies at present in Japan will come abroad, especially to the south-east Asian area," Mr Kikuchi Tetsuichi, head of the Japan external trade organisation (Jetro) office in Bangkok, said.

Not every Japanese company has the will or the means to move its operations abroad,

	JAPANESE DIRECT INVESTMENT IN ASIA (US\$bn)			
	1988	1989	1990	1991
Malaysia	673	725	880	704
Thailand	1,276	1,154	807	657
Korea	606	284	260	225
Singapore	1,932	840	813	670
Taiwan	494	446	405	232
Hong Kong	1,898	1,785	925	735
China	438	349	579	1,070
Indonesia	631	1,105	1,193	1,676
Philippines	202	258	203	160
Total	8,238	7,054	5,536	6,425

*Total does not add up because some countries excluded

Source: Japan ministry of finance

and many local south-east Asian manufacturers are expected to benefit from the strong yen as more and more Japanese companies source their components from foreign suppliers.

"Some Japanese companies are converting their source of supply of components, for example from Japan to south-east Asian countries such as Malaysia or Singapore," said Mr Tetsuichi.

Mr Richard Han, president and chief executive of the Thai company Hana Microelectronics, has already noticed increasing interest from his Japanese clients, although he expects prospective new customers to move cautiously rather than "rush and subcontract everything the next day".

Hana, employing 900 people, assembles semiconductors and

printed circuit boards. Although some of the company's inputs are imported from Japan, its biggest cost is machinery (much of it American) and it has the advantage of relatively cheap Thai labour.

If Japanese companies suffering from the yen do not find it worthwhile to move abroad, "subcontractors like myself are perhaps fortuitously in a position to reap some of the benefit," says Mr Han.

Even when there is a shift of manufacturing from Japan to other Asian countries, it is not being made across the board. Japanese companies are keeping production of more value-added products strictly at home.

Mitsubishi Electric, for example, is moving production of mass-market products such as video cassette recorders overseas, but is keeping fac-

tory capacity in Japan free to produce high-definition televisions for when market demand grows.

Japanese executives say that the high level of technological skills required to manufacture leading-edge products means these will have to be kept in Japan for some time.

The picture that emerges is of an increasingly clear division of labour between Japan and the rest of Asia.

Mr Masaru Takagi, chief economist at Fuji Research Institute, believes this separation of roles will not be limited to mass-market products sold overseas but will increasingly extend to those aimed at the Japanese market as well.

While Japanese car-makers are currently exporting mass-market cars to Asia, Mr Takagi sees the reverse happening in the future.

The recent strengthening of the yen is not always good news for Asian countries and companies outside Japan, particularly those - such as Indonesia - with substantial yen loans to repay.

However, as Japan starts to rely on imports for high-volume products and shifts its exports to low-volume, value-added goods, the trade balance is expected to alter.

"Japan's trade surplus with Asia will shrink," Mr Takagi says, "and in the long run, a trade deficit with the region is not out of the question."

Czechs secure Indian oil pipeline order

By Patrick Blum in Prague

SKODAEXPORT, the Czech trading and contracting company, has won a \$370m (£247m) contract to build an oil pipeline linking the Indian cities of Kundli in Gujarat and Bhatinda in Punjab, the company said in Prague yesterday.

Mr Jan Riecka, the Skodaexport general manager, said that the company had won the contract after a year of negotiations.

The pipeline will be 1,440 kms long, and construction

will include six stations and two terminals. The pipeline, equipped with modern electronic systems, will be able to transport several different types of oil products.

Mr Riecka said that the company hoped its success in winning the contract against fierce competition would help it develop its international business.

Skodaexport already has large contracts in China, Turkey and Egypt, and is negotiating over new projects in these countries.

Macedonia starts work on Russian gas pipeline

By Kerin Hope in Skopje

MAKPETROL, Macedonia's state-owned energy company, has started building a 100km pipeline to carry Russian natural gas from the Bulgarian border to Skopje, the republic's capital.

Mr Ljubomir Janev, general manager of Makpetrol, said Macedonia would cover the full cost of the \$60m project, agreed while Macedonia was still part of Yugoslavia. Completion is scheduled for early 1995.

He said that Macedonia could afford the project because the pipe sections were being produced by a local manufacturer, the state-owned Macedonia Pipeworks.

According to Mr Janev, the pipeline would reduce the country's dependence on imported oil. It would also enable the Skopje refinery to increase its production of jet fuel and other petroleum products, because it would no longer have to produce fuel oil for industry and domestic heating.

Macedonia will buy up to 800,000 cubic metres of gas annually from Gazexport, the Russian supplier. The price has not yet been negotiated but Macedonia expects to arrange a barter agreement with payment in local products.

The pipeline is the first important infrastructure project to be launched in Macedonia since it broke away from the former Yugoslavia in 1991. There are plans to extend the pipeline to neighbouring Albania.

Brussels doubles duty on sacks from China

By Andrew Hill in Brussels

THE European Commission has almost doubled anti-dumping duties on plastic woven sacks imported into the Community from China, after manufacturers allegedly absorbed the original duties instead of increasing prices.

It is only the second time that the Commission has used its fast-track "anti-absorption" procedure, which allows it to increase anti-dumping duties without opening a new full inquiry.

The plastic sacks will be subject to an overall anti-dumping duty of 85.7 per cent. "A measure aimed at restoring the effect of the duty concerned is in the Community's interest," said the Commission.

The anti-absorption procedure was introduced in 1988, but not used as the basis for an inquiry until 1991. Some Brussels trade lawyers have suggested the fast-track procedure may infringe Gatt rules.

Importers have also pointed out the reverse procedure - which allows for refunds when duties prove to be too high - is much slower.

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NEWS: UK

United chief urges end to deadlock in air route talks

By Richard Donkin

THE BRITISH and US governments were urged yesterday to advance their negotiations on the liberalisation of air routes in order to pave the way for broader multilateral talks in future involving other members of the European Community. Mr Stephen Wolf,

chairman of United Airlines, indicated in London yesterday that the talks had been given fresh impetus by the publication last week of the report into the US aviation industry commissioned by President Clinton.

One of the report's recommendations was that airlines based outside the US should be

able to raise their voting stakes in US companies to 49 per cent on condition that US companies operating in other countries should be allowed to take stakes in companies based in those countries. At present, overseas airlines are barred from exceeding a 25 per cent voting stake in US airlines.

Mr Wolf said he welcomed

the recommendations even though he thought that, in practice, they would be less beneficial to US operators because of EC restrictions on foreign-owned carriers running routes in the community. But the report had given scope for building blocks in a new US-UK agreement.

His main aim, however, was

that the existing impasse in negotiations should be ended when Mr John MacGregor, the UK transport secretary, meets Mr Federico Pena, the US transport secretary, next month ahead of the resumption of negotiations in October.

Mr Wolf said he could not understand why both govern-

ments had declared that they wanted greater liberalisation, yet so far had agreed nothing. "It's like two drunks singing the same lyrics all the time but they can't get on the same melody," he said.

Mr Wolf said he was "talking with officials" during his visit. He is hoping for some indication that United Airlines will

be granted a route from Chicago to London. He believes the airline is well placed to be granted the route if the number of passengers carried between the two cities this year triggers the figure required in the 16-year-old Bermuda II agreement which regulates air traffic between the two countries.

Britain in brief

Engineering recovery 'is very fragile'

SALES and orders figures for the UK engineering industry in the second quarter of the year show little change on the first quarter. They reflect weak home demand and sustained but fragile export growth.

Mr Ian Thompson, economic adviser to the Engineering Employers' Federation, said: "The trend is generally upwards, but it is very uncertain and fragile; our major export market is western Europe, but that market is by no means secure."

Figures for the industry from the Central Statistical Office, released yesterday, showed sales up by half of 1 per cent on the first quarter (at constant 1985 prices seasonally adjusted) with export sales up 4 per cent and home sales down 2 per cent.

Lloyd's decision is criticised

UNDERWRITERS of two of the heaviest loss-making catastrophe reinsurance syndicates are continuing to trade as active members of the Lloyd's insurance market. Mr Patrick Fagan and Mr Derek Walker are listed as Lloyd's Names - the individuals whose wealth supports the market - in the markets latest official list of participants.

Lloyd's was criticised yesterday by the Association of Lloyd's Members, which represents some 9,000 Names for allowing the underwriters to retain membership.

Roof falls at second mine

A SECTION of roof supported by roof bolts at Ellington colliery, Northumberland, collapsed earlier this week, British Coal confirmed yesterday. British Coal said there was "no comparison" between Tuesday's fall at Ellington and last week's accident at Ellishope colliery, Nottingham, in which a roof supported by bolts collapsed, killing three men.

Nobody was injured in the Ellington incident which happened 1,000 feet underground.

Confidence on student places

The number of school leavers unable to find university places is likely to be much lower than feared, Mr John Patten, education secretary, forecast yesterday.

Mr Patten, who returned to work this week after a six-week illness, said the outlook "is going to be nothing like as gloomy as some people have predicted".

Commentators have suggested that thousands of students will fail to win places on arts courses this year because of a 30 per cent cut in tuition funding imposed by the government.

Employers expect upturn to accelerate

By Peter Norman
Economics Editor

THE CONFEDERATION of British Industry yesterday raised its forecast of economic growth in Britain this year and next. But it also warned that sluggish investment and persistent current-account and Budget deficits could still upset a recovery.

The employers' group now expects gross domestic product will increase by a real 1.7 per cent this year, after a 0.4 per cent decline in 1992, with growth accelerating to 3 per cent in 1994. This is in line with the most recent consensus forecast for UK economic growth this year, as measured by Consensus Economics Inc.

But the CBI is taking a more bullish view than the forecasters' average growth projection of 2.6 per cent for 1994.

Its previous CBI forecast, published in May, predicted growth of 1.6 per cent this year and 2.6 per cent next year.

Mr Andrew Sentance, CBI's

director of economic affairs, said stronger consumer demand had prompted the upward revision of this year's forecast and this was offsetting the negative impact of slower growth in continental Europe.

Although tax increases would hold back consumers' spending next year, the world economy was expected to be more favourable to growth in 1994. In its latest forecast, the CBI predicted:

● Continued strong manufacturing output, rising by 3.3 per cent this year and 3.5 per cent in 1994.

● Consumer spending up by 1.8 per cent this year and 2.3 per cent next.

● Exports of goods and services rising by about 5 per cent in volume this year and next.

● Company profits rising by a real 9.4 per cent this year and 4.1 per cent in 1994 after declines of 4.7 per cent and 3.6 per cent respectively in 1991 and 1992.

● Continuing low inflation, with the underlying rate (excluding mortgage interest rates) little changed at around 3 per cent at the end of next year and the "headline" rate, including mortgages, rising to 3.3 per cent by the end of 1994 from below 1.5 per cent at present.

The group said it was concerned that investment would lag the recovery, rising by just 0.6 per cent across the whole economy this year and 1.7 per cent in 1994.

How the CBI expects the economy to grow

	% change on previous year			
	1991	1992	1993	1994
Total GDP (average measure)	-2.3*	-0.4*	1.7	3.0
Manufacturing output	-5.3*	-0.8*	3.3	3.5
Consumer spending	-2.2*	0.0*	1.8	2.3
Fixed investment:				
General government (a)	-10.4	12.5	7.1	0.8
Manufacturing (b)	-8.4	-3.0	-1.4	2.5
Private dwellings	-16.7	-2.3	-1.3	3.1
Other (mainly private services)	-8.4	-2.7	-0.4	1.5
General government consumption	3.2	0.0	-0.8	1.0
Exports (goods and services)	0.1	2.7	4.9	5.0
Imports (goods and services)	-3.1	5.8	3.2	3.5
Current account (c) (d)	-7.7	-8.6	-17.5	-15.5
Stockbuilding (e) (f)	-3.4	-1.3	-1.2	0.6
Inflation (retail prices index) (g)	4.2	3.0	1.7	3.3
Inflation (manufacturer's output prices) (h)	5.0	3.3	3.6	3.5
Unemployment (millions) (i) (j)	2.4	2.8	2.9	2.9
Company profits (g)	-4.7	-3.6	9.4	4.1
PSBR (k) (l)	1991-92 13.7	1992-93 36.5	1993-94 48.4	1994-95 41.1

(a) Excluding purchases, less sales of land and existing buildings

(b) Including leased assets

(c) At current prices

(d) Fourth quarter

(e) UK, excluding school leavers, seasonally adjusted

(f) Annual average

(g) Gross pre-tax trading profit of industrial and commercial companies, net of stock appreciation, excluding North Sea oil and adjusted for inflation as measured by the GDP deflator

(h) Revised figures yesterday

(i) Revised figures yesterday

(j) Revised figures yesterday

(k) Revised figures yesterday

(l) Revised figures yesterday

Tougher curbs demanded on state spending

By Peter Norman

THE Treasury yesterday issued a stern warning that government spending "could all too easily" outstrip growth in the economy.

It said a rigorous approach to planning and management was required to prevent strong pressures for extra spending threatening the government's policy objectives of reducing

total public spending as a share of gross domestic product, cutting taxes "over time" and bringing the government's £50bn annual fiscal deficit back towards balance over the medium term.

An article published in the latest and final edition of the Treasury Bulletin warned that policy initiatives and influences that had resulted in significant reductions in the

ratio of general government expenditure to GDP in the 1980s no longer had a big impact.

More significant was the sharp rise of 3 per cent a year in general government expenditure since 1988-89. This acceleration of spending across programmes "clearly cannot be sustained" if government spending is to fall as a share of national output, it said.

The article by a senior Treasury official fleshed out concerns expressed by Mr Michael Portillo, the chief secretary to the Treasury and cabinet minister responsible for controlling public spending. It underlined why the government has committed itself to firm limits on the growth of spending and why it is reviewing the spending programmes of big government departments.

Treasury optimistic on growth

By Peter Norman

BRITAIN'S economic growth this year is likely to be a "little stronger" than the 1.25 per cent forecast at the time of the March Budget, the Treasury said yesterday. It also said underlying inflation might be a little lower than the 3.75 per cent originally expected for the fourth quarter of this year.

Delivering a cautiously upbeat assessment of the economy, the Treasury said in its latest bulletin that developments in the first half of this year - with renewed growth in activity, an improving labour market, low inflation and a sound trade performance - were "encouraging for the prospect of a period of sustained economic growth in the years ahead".

The Treasury cautioned that the recovery was in its early days and it was too soon to be sure how it will develop. Latest figures suggested that gross domestic product rose 1 per cent between the second half of last year and the first half of 1993 and therefore "significantly faster" than the Budget forecast of 1/4 per cent.

This could have been due to temporary factors such as heavy price discounting. Risks existed such as the high level of personal sector debt and the weak state of the continental European economies.

Hoover wins £1m Scottish sweetener

By Robert Taylor
Labour Correspondent

GLASGOW Development Agency confirmed yesterday that it had made a contractual agreement worth about £1m with Hoover for the transfer of its manufacturing output from Dijon in France to Cambuslang in southern Scotland, creating 400 jobs.

Last winter's announcement of the shift of production to Cambuslang provoked accusations in France that the move was in conflict with European Community regulations. The European Commission is now investigating.

Mr Lew Scott, the company's vice-president of manufacturing, said yesterday the Glasgow Development Agency had been "one of a number of key factors in giving our parent

company the confidence to commit itself to the consolidation of production at Cambuslang". Hoover has agreed to maintain the expanded level of employment at the plant. It will repay in full or in part the financial support from the agency if employment falls below an undisclosed figure over the next five to ten years.

Details of the agreement remain confidential, as does the exact size of the financial backing as part of a wider package of public assistance.

The agency, a joint private and public-sector body, said it had worked closely with Hoover since early last year on its quality management programme. It will be responsible for paying for the training of the 400 people required by the company in its expansion at Cambuslang.

Explore Africa next Wednesday.

(No passport necessary.)

Next Wednesday, the Financial Times is publishing a special survey entitled 'Africa: A continent at stake.'

In it we will outline and debate the current issues facing the continent and look at ways in which governments, donors and aid agencies are working to resolve them.

For those interested in Africa's future it will make essential reading.

Africa: A continent at stake.

The Financial Times

Bedpan's crash still reverberates

Alan Pike analyses discontent among health service chiefs

ANURIN BEVAN, the Labour cabinet minister who founded the National Health Service soon after the second world war, once said that "when a bedpan is dropped on a hospital floor, its noise should resound in the Palace of Westminster".

His comment is still much quoted in the service. Managers pressing for more devolution use it to illustrate the absurdity of the modern NHS, one of the world's largest organisations, trying to function as though all decisions flow from ministers.

The argument continues even though the modern state health service differs markedly from that envisaged by Bevan. Priority holiday reading at the moment for Mrs Virginia Bottomley, the present health secretary in the Conservative government, is the report of the National Health Service Functions and Manpower Review.

The review's recommendations are set to stimulate an autumn political controversy over the extent to which the internal market created by the 1991 reforms in the state health service should be freed from central control.

In the reformed NHS, hospitals provide services and district health authorities and fundholding family doctors purchase them. But this market activity - now the mecha-

nism that drives the NHS - takes place within a bureaucratic structure that can be traced back to the service's origins in the nationalising, centralising 1940s.

Several thousand officials in the Department of Health in Whitehall and in regional health authorities and management executive outposts throughout the country continue to manage and supervise the service above purchaser-provider level.

Many hospital and health authority managers believe much of the higher-level structure has been rendered redundant by the reforms. The NHS now resembles a huge conglomerate in which slimmed-down subsidiaries are struggling to reform an unwieldy head office.

Mrs Bottomley set up the review to examine management structure and allied issues. Its report will, however, advance options rather than a single blueprint - thereby pushing decisions back to ministers.

Mastering bureaucratic and political skills has always been a natural element of the job for NHS managers. Many were initially hesitant about the gov-

ernment's NHS reforms, which brought a more commercial edge to management style. But, after only two years of the new system, there is pressure from managers for more freedom with a scaling-down of the central and intermediate management structures.

"Organisations throughout the world are flattening their structures and setting managers clearer objectives," says Mr Ray Rowden, director of the Institute of Health Services Management. "The British health service cannot isolate itself from those trends."

Advocates of a flatter structure reject suggestions that the establishment of trust hospitals, running their day-to-day affairs, has increased the need for supervision to ensure public accountability.

"It is possible for too much bureaucracy and a culture of management-by-circular to get in the way of true accountability," says Mr Philip Hunt, director of the National Association of Health Authorities and Trusts (NAHAT). "A system in which ministers set policy goals, with the management executive, health authorities and trusts delivering them against strong performance

targets, could clarify objectives and increase accountability."

Mr Rowden agrees: "It is possible to have both greater accountability and less structure. There is an elaborate regional structure at the moment, but a lack of clarity about how accountability is supposed to work within it."

The review team was chaired by Ms Kate Jenkins, a former head of the Thatcher government's efficiency unit and a member of the NHS policy board. Her antecedence as one of the originators of the government's Next Steps programme that established executive agencies, delivering services at arms-length from government, made it certain that such a solution would be considered for the NHS.

Most managers doubt whether ministers will be prepared to turn the NHS management executive, which runs the service on a day-to-day basis on behalf of Mrs Bottomley, into an executive agency. But they hope the review will create a stronger separation of responsibilities for deciding policy and priorities, and the management structure in which these decisions are executed. "We need slimmer central and intermediate structures that support, facilitate and broker local market activity rather than try to direct it," says Mr Hunt.

TECHNOLOGY



A new generation of drugs to treat epilepsy is set to transform the anti-convulsant market and the lives of the 53m people afflicted with the condition worldwide.

After nearly 15 years without new treatment, four drugs are being launched for the condition which affects about 3m people in Europe, a similar number in Japan and 2.5m in the US.

Analysts at Merrill Lynch, the US investment house, believe the new medicines will, within the next few years, double the size of the worldwide anti-epileptic market. At present the sector is small, worth only \$1.2bn (\$367m) in 1992. Most existing treatments are off-patent and are therefore cheap.

The four new drugs expected to drive market growth are: Felbatol, developed by Carter-Wallace of the US and marketed outside America by Schering-Plough; Neurontin, developed by Warner-Lambert, the US group; Lamictal, discovered by Wellcome of the UK; and Sabril, developed by US Marion Merrell Dow. Additional compounds in development include Trileptal from Ciba of Switzerland.

The new treatments are expected to be more effective than existing therapies at controlling epileptic seizures and to have fewer side effects. The established medicines include Warner-Lambert's Dilantin which has more than 50 per cent of the US market, Ciba's Tegretol, with 24 per cent of the market, and Abbott's Depakote.

The difficulties with the existing treatments are they do not prevent seizures in about 30 per cent of patients, and all epileptics taking these medicines risk side-effects.

"The drugs' effectiveness is dose related - the higher the dose the more effective they become. But as patients' intakes are increased to improve the control of their epilepsy, so they tend to suffer more side-effects - drowsiness, depression, weight gain, impaired gait and hair loss. In rare cases, the medicines prove so toxic they can kill."

The side-effects mean that from 42 per cent to 80 per cent of patients fail to comply with medication, according to the UK's Office of Health Economics, a pharmaceutical research organisation.

In failing to take drugs properly, those susceptible increase the risk of seizures. One study suggests missed doses and lack of sleep accounted for about 73 per cent of seizures.

Trevor Flannagan, strategic business manager at Wellcome says: "Epilepsy is the most serious central nervous system problem confronting us. The epileptic population is seriously disadvantaged,

Epilepsy drugs enter a new era

The size of the anti-convulsant drugs market is about to double, reports Paul Abrahams

The world market for anti-epileptics

		1990	1991	1992	1993e	1994e	1995e	1996e	1997e
Tegretol	Ciba	\$283m	\$318m	\$352m	\$377m	\$398m	\$415m	\$430m	\$435m
Dilantin	WLA	164	186	212	232	251	273	292	308
Sabril	MKC	8	13	33	60	75	135	168	214
Trileptal	Ciba		1	8	15	22	30	38	46
Lamictal	Well			5	52	99	159	236	311
Felbatol	CAR				17	71	97	149	210
Felbatol	SGP					3	26	68	102
Other	Various	493	582	590	615	641	643	648	688
Total		\$946m	\$1,100m	\$1,200m	\$1,368m	\$1,590m	\$1,777m	\$2,027m	\$2,311m

*Carter-Wallace has sold international marketing rights to Schering-Plough

Source: Merrill Lynch

with a significant proportion whose lives are significantly affected by seizures or side-effects or both."

"We need to have better products on both the safety and efficacy count," admits Mark Pierce, vice-president clinical research for the central nervous system at Warner-Lambert.

The established generation of medicines were mostly developed through the classical method of massive screening projects in the 1960s or 1970s, although Dilantin was patented in 1938.

Since the 1970s however, scientists have been using improved knowledge of the biochemical process of epilepsy to design new compounds. Researchers have discovered that epilepsy is caused at least in part through the malfunctioning of naturally occurring amino acids that act as neurotransmitters.

Normally, the electrical activity in the brain's nerves is regulated by two classes of amino acids. The first are excitatory amino acids such as aspartate and glutamate, thought to help stimulate electrical signals from one nerve to another.

The second class of amino acids is inhibitors, the most important

being gamma aminobutyric acid, known as GABA. Their function is to stabilise electrical activity in the brain. To do this, they open certain channels in the membrane of the nerve ending that are designed to admit negatively charged ions. Once the negative ions have been let into the nerve ending - or neuron - it becomes incapable of firing

Most of the new drugs are being recommended as add-on therapies because there have been few trials testing them as single treatments

electrical signals. To be able to fire, the neuron has to be positively charged. The more GABA available, the slower the neurons' firing rate. In most common forms of epilepsy, the normal balance between the excitatory amino acids and the regulatory ones breaks down. The

result is the brain's nerve endings start firing electrical signals out of control, triggering neighbouring neurons until a seizure takes place.

The earlier drugs, Dilantin and Tegretol, worked by preventing the excessive signals being triggered. Scientists are unsure of exactly how the prevention mechanism worked. Some believe it blocked certain channels in the neurons' membrane that allow positively charged ions such as sodium to pass into the neuron. Once the neurons are positively charged they have greater potential to trigger excessive electrical signals.

More recently, researchers have been following two main theoretical routes. The first is to discourage the production or action of the excitatory amino acids. This would prevent the seizure spreading through the brain. The second route is to enhance levels of GABA, the regulatory substance, and so stop the seizure by stabilising the neurons.

The first of the new medicines to be given a licence in the US by the Food and Drug Administration is Carter Wallace's Felbatol, which gained approval this month.

Peder Jensen, vice-president for

clinical research at Schering Plough Research Institute, says the drug was discovered through traditional techniques rather than rational drug design, following a mass-screening programme by the US National Institutes of Health at the beginning of the 1980s.

Scientists are still struggling to find out how it works, admits Jensen. One study of patients whose previous medication was ineffective, showed a 34 per cent reduction in seizure frequency compared with a 9 per cent fall among those on placebo. The drug also has low toxicity, allowing for safe higher dosing.

Felbatol's main drawback is it interacts with existing medications such as Dilantin. This is important because few patients are willing to swap medications, and at best will only add to their regimen - the majority, whose seizures are under control, have little incentive to switch to an unknown medication. Jensen says the interactions are predictable and can be avoided.

Warner-Lambert's Neurontin was designed with the knowledge at least some of the biochemical processes of epilepsy. The drug is an analogue of an amino acid and is supposed to emulate GABA.

Elizabeth Garofalo, associate director of clinical research at the company, says that although the compound was synthesised to mimic GABA, it does not appear to do so. It does reduce seizures, however. One theory is it affects aspartate and glutamate, the excitatory amino acids. It does not interact with other drugs.

Marion Merrell Dow's Sabril was also designed with the knowledge of the biochemical processes. Its unique mechanism is that it inhibits the production of an enzyme that breaks down GABA and so increases GABA levels in the brain.

Wellcome's Lamictal appears to work by preventing the excessive release of glutamate. It probably does this by blocking the sodium channels.

Ciba's Trileptal also interferes with the sodium channels in the membrane of the neuron, although it may also open potassium channels, according to Markus Schmitz, head of company's pre-clinical epilepsy project.

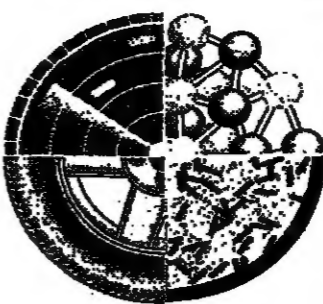
Most of the new drugs are being recommended as add-on therapies because there have been few trials testing them as single treatments.

"They are all in their infancy. We are at the start of a very long process as we start the long-term comparative trials," says Pierce.

It is too early to know which drugs will win commercially. With luck, the winners will be those coping with epilepsy on a day-to-day basis.

The series will continue next month with an article on diabetes.

Worth Watching · Della Bradshaw



randomly organised on the screen. Visage: UK, 0494 481263.

Personal telephone number may be up

The concept of a single personal telephone number, that follows the consumer from home to work and into the car, may seem alluring. But the technology research company Ovum is cautious about whether UPT (universal personal telecommunications) will gain widespread acceptance.

In its report, "Personal Numbering Services: The Business Opportunities for UPT", Ovum forecasts that only 132m European customers will subscribe to the service within the next 10 years and 155m in the US. This will result in projected revenues of \$6.8bn (\$4.56bn) per annum in Europe and \$12bn in the US by the year 2000. Ovum: UK, 071 255 2870.

Driving for the largest capacity

As computer and memory card manufacturers standardise on the PCMCIA (personal computer memory card international association) interface, disc drive makers are battling to develop the drive with the largest capacity.

Maxtor, is claiming the lead with a 100 Megabyte drive - enough to store the equivalent of 20m words. It weighs 2.5oz and is the thickest of the three types of PCMCIA drives, at 10.5mm deep. Maxtor: US, 408 432 1700; UK, 0483 747356.

A rose by any other shape

A rose by any other name may smell as sweet, but genetic manipulation is required to ensure that it has a stem as smooth as a tulip, or a flower as large as a chrysanthemum.

The International Floriculture Co-operative Research Centre, in Australia, is spending \$18m (\$3.18m) to develop tailor-made flowers, with the colour and fragrance that fashion predicts. The work is funded by the Australian government, research organisations and businesses - including Calgene Pacific, which is about to produce a blue rose. Calgene Pacific: Australia, 3 419 3844.

A helping hand for the imagination

Engineers who design cars or buildings on the computer screen have to rely largely on imagination to envisage the final product. Now they can visualise the objects through virtual reality (VR).

Bristol-based Division has adapted its dVise VR software so that it can be used with popular Cad packages such as AutoCad, 3D Studio and MultiGen. To visualise the design and to manipulate these images the designer simply attaches the VR headset and other equipment to the Cad system. Division: UK, 0454 615554.

Japanese games supreme Nintendo has joined with Silicon Graphics to develop a VR games machine for the home. At the heart of the machine, which will appear in arcades in 1994 and in the home by late 1995, is Silicon Graphics' Multimedia Engine. Nintendo: US, 206 882 2040.

Face to face on the computer screen

Biometric security devices - retina scanning, for example - rely on complex machinery to recognise the would-be computer user. A computer security device developed by Visage, of Buckinghamshire, relies on one person recognising another, and could be sold for as little as \$20.

The Visage system flashes a matrix of several faces on to the screen. The users have previously scanned into the computer photos of people they know - partner or sibling, say - who resemble each other. They then pick the three pictures from a dozen on the screen. The user then taps in the numbers of the sequence in which the faces appeared.

The faces cannot be forgotten. Nor can the user write down the "answer" as the pictures are

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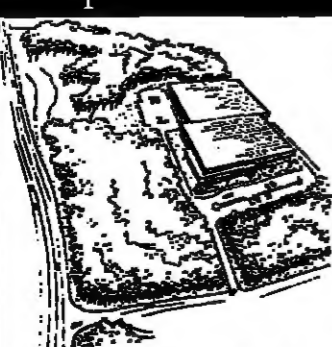
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August 1993

PROPERTY Back to the basics

The property investment market turned up decisively in May, bringing the first good news in four years to a depressed sector. There was a change of mood, and with it a feeling that values had hit bottom and the decline was over.

Yields have come down, even for central London offices. Although rents are still dropping, the fall in yields is enough to nudge values up. The reason for the change is not hard to identify: the amount of money available for investment in property is the highest it has been for more than 10 years.

Hillier Parker, the surveyor, has compiled a list of 145 buyers, each with at least £10m to spend and with aggregate available funds of £7.55bn.

The contrast with the late 1980s period of head, development activity is best illustrated by the experience of insurance companies, whose annual net flow of investment into property barely topped £2bn in any one year in the 1980s. The 29 insurance companies on the Hillier Parker list alone now have a total of £3.7bn to spend.

Most buyers are competing for a fairly narrow band of property where the quality of the tenant's covenant - financial strength - is of prime importance. There is a shortage of property in this band, so unless insurance companies relax their requirements, they will fail to find a home for

Investment funds have reached a new peak, says Russell Schiller

The position today is less attractive for investors wishing to buy properties with good covenants. This is because the opportunity for anticipating the turn in the market has passed. Yields could fall further, driven by the volume of money available for investment and greater confidence in the economy, but it is already too late to gain the full benefit from falling yields.

The next stage of recovery in the investment market is dependent, in part, on a relaxation of the demanding definition of good covenant.

Reliance on covenant was natural during the recession. It led to preference being given to a poor property with a good tenant compared with a good property occupied by an insecure tenant. The normal property criteria of modern specification and accessible location leading to healthy tenant demand were given less weight than certainty of income.

Eventually the balance between covenant strength and a property's fundamental attractions seems certain to tip in favour of the latter. Recovery will lead first to a reduction in the danger of a tenant defaulting on the rent. Next will come a pick-up in tenant demand, and finally empty space will start to be filled.

This will all take time, and the naturally cautious institutional buyers will be reluctant to relax their desire for secure income until they are sure it is safe to do so. The effect will be to give opportunities for bolder investors to get into the market ahead of them, as happened in 1982 and the early part of this year.

As the property market slowly returns to being a growth investment there will be an increasing distinction between 'prime' and 'secondary' properties.

Property will be rated according to its size, specification and location, and to the extent which it satisfies the needs of the market and can generate rental growth. Having a good tenant is only part of the criteria; if the property specifics are good a departing tenant can be replaced.

Describing pre-recession prime property still feels a bit like indulging in nostalgia. The past four years have left deep scars which will leave investors sceptical about property for years to come. Despite this, the focus on covenant is starting to recede and property investment is coming back to basics.

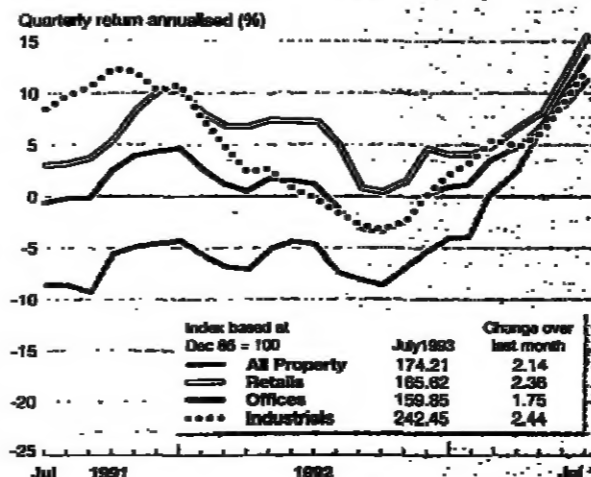
The author is partner with Hillier Parker

Unless insurers ease their terms, they will fail to find a home for their billions

recession. It led to preference being given to a poor property with a good tenant compared with a good property occupied by an insecure tenant. The normal property criteria of modern specification and accessible location leading to healthy tenant demand were given less weight than certainty of income.

Eventually the balance between covenant strength and a property's fundamental attractions seems certain to tip in favour of the latter. Recovery will lead first to a reduction

IPD monthly index for July



Market stabilises

The commercial property market continued to recover in July as yields fell for the fifth consecutive month, according to the Investment Property DataBank, a research group, writes Vanessa Houlder.

The aggregate equivalent yield fell by 0.09 points to 9.7 per cent. Capital growth and total returns remained at 0.5 per cent and 1.2 per cent, indicating a stabilising market. Although rental values are still falling, the rate of decline is slower at 0.7 per cent, compared with 0.9 per cent in June.

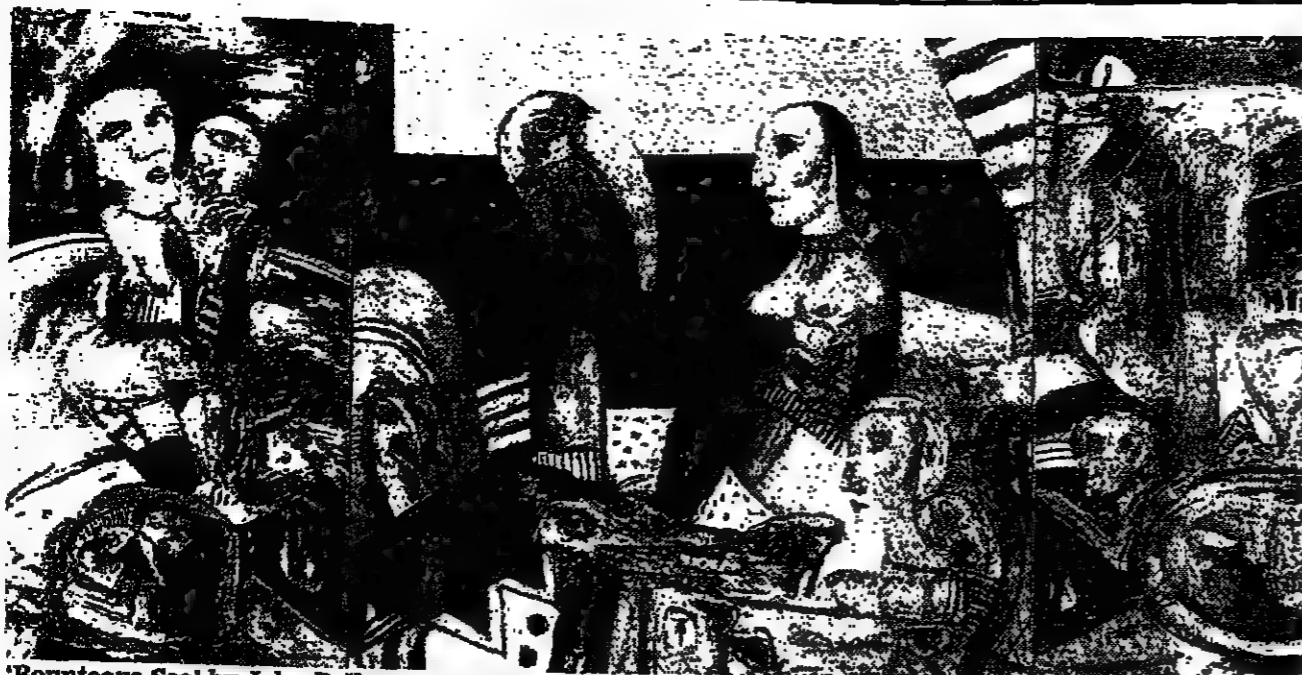
In the seven months to July 1993, net investment in prop-

erty averaged 25.9m a month. This is a turnaround from the average 5.4m that was disinvested each month during 1992.

The decline in capital growth slowed by 1 percentage point, from -6.3 per cent for the year to June, to -5.2 per cent for the year to July. Rental value growth for the year was more or less unchanged at -10.7 per cent.

The office sector recorded a positive year-on-year return of 0.2 per cent for the first time in three years. Retail property retained its position as best performing sector in July, 1.5 per cent in June.

السنة ١٤١٥



'Bounteous Sea' by John Bellamy, the father of the current generation of Scottish magical realists

When anatomy classes paid off

Serious students of contemporary Scottish painting are enjoying an *œtas mirabilis*. North of the border, there are two important retrospectives, of Peter Howson at the McLellan Galleries in Glasgow (reviewed by Mary Rose Beaumont in July) and of Steven Campbell at the Talbot Rice Gallery in Edinburgh. The festival city, despite its official disdain for the visual arts, also offers non-representational work by Scottish artists at the College of Art.

Those confined to London may take comfort, however. The Angela Flowers Gallery has organised an excellent survey of Scottish painting which fills both its last End branches until September. The strength of the show lies in the range of work, which goes beyond the generation which broke through to fame in the 1980s. It includes work from both older and younger graduates of the four Scottish art schools: Glasgow, Edinburgh, Dundee and Aberdeen, and some of their teachers. As a student at Edinburgh College of Art I often found its academic discipline - its still life and anatomy classes were impulsive - and the unquestioning acceptance of painting for painting's sake hard to bear. Eventually, however, I came to love the life class, and the absorbing struggle with that endlessly difficult task, representation of the human figure. Many of the artists in this exhibition continue in this tradition, and their confidence in the figure is striking at a time when it is widely assumed to have ceased to be part of the contemporary artistic vocabulary. Also notable is the wide range of expressive purposes the figure is made to serve.

John Bellamy, father of the present generation of Scottish magical realists, fills

Lynn MacRitchie finds Scottish figurative painting alive and well

large, semi-autobiographical, semi-mythical canvases like "Bounteous Sea," 1993, with a cast of blue-eyed beauties both real and imaginary. Steven Campbell invents an impossible yet strangely familiar storybook world in work such as "The Sadness of Swiss Peasants on the Rhine," 1989, where some sinister meaning lurks close to the deceptively realistic surface. The tradition of realism, drawing from the life, permits Jock MacFadyen and Henry Kondracki to explore the city streets, capturing their inhabitants with humour and painterly dash. Peter Howson also uses his studies of street life as a basis for his enormous mythological can-

vas. Margaret Hunter and Gwan Hardie, who both studied with Georg Baselitz after their training in Scotland, make close examination of the figure central to their work. While in "Woman with Apron," 1989, Hunter's figure is stripped down to a primitive essence at its centre, Hardie moves ever closer to the body (usually her own), until in "Unto Me," 1992, details - in this case about three quarters of a face - become huge abstract forms rendered in blobs of paint applied with sponge or fingers. For June Redfern, in canvases such as "Two Songs II," 1992, large, usually female, figures articulate a psychological or spiritual space, brought alive by those other Scottish preoccupations, the importance of colour and the handling of paint. "Painterly" was a term of praise in my time and must remain so, for there are few

works here which do not merit it. Even those artists who have moved away from direct rendition of image on canvas to use their skills for different ends - the explorations of natural processes such as "HDE 236868" by Glen Onwin, for example, or "Symbol Stone," 1983, by Kate Whiteford, reveal both their skill at and pleasure in mark making and textural richness. The purely abstract works are perhaps the weakest in the show, not quite far enough removed from their inspiration in landscape in the case of Buchan and Shanks or rigorous enough in their presentation of colour (Colombo, Maclean) to travel far from the merely decorative. Their handling of paint, however, as should be expected from the heirs of Peacock, McTaggart and Gillies, is unfailingly impressive. Alan Davis shows the usefulness of image to anchor abstraction, even though the eclecticism of his magic hour of symbols ultimately weakens their effect.

Scottish painting is far from perfect. I still find myself baulking at its self-centredness, the narrow path from sketchbook to canvas, the reliance on a limited vocabulary of images - some drawn from the glorification of a brutal culture - and their repetition to the point of cliché. But these are generalisations, and this is a show of individuals, each of whose work demands attention, and the culmination of whose efforts over the last 30 years has led to the development of a body of work which grows ever more impressive with the passage of time.

Scottish Painters, Flowers East and Flowers East at London Fields, 6 August until 12 September. Flowers East, 199/205 Richmond Road, London E8 3NJ. Tel 061 985 3333

Promenade concerts

The Oslo Philharmonic

"It's a concerto cannot pretend to be just what the composer would have written had he lived, it is nonetheless a substantial piece. Serly's many Bartók arrangements prove him to be a scrupulous disciple; more important, the viola concerto has its own pungent, introspective consistency of tone, and Bartókian and yet distinct from any of his previous music. The piece can seem wan, flimsy and episodic; not, however, in Bashmet's hands. He is a magnificent brooder. Even single notes may have a smouldering density. That is not a matter of throbbing timbre, but rather of expressive sense relentlessly pursued. Here, Bashmet's intent were uncommonly deliberate, the better to fathom the world-weary gentleness of this last Bartók score. Without histrionics or overt virtuosity he gave it the scathing candour of an unedited testament.

The OPO also played Stravinsky's 1919 *Pierrot* suite, where Jansons engineered quite original balances - we heard some bold harmonic relations as if for the first time; and Dvorak's G major Symphony, darker and tauter than usual. It had begun with Ragnar Soderlund's *Traummusik*, composed a quarter-century ago in response to the crushing of the Prague Spring; tough and terse (just 8 minutes long) but laden with complex feeling, rendered in sure orchestral strokes. Though Soderlund is no modernist, he sounds like a real composer whom we should know better.

David Murray

On Monday the orchestra made Strauss's *Alpine Symphony* a continuously gripping and enjoyable experience, bursting with colour and energy - and this in spite of two handicaps

that in other circumstances could well have proved onerous, or even insupportable.

The first, of course, is that the work itself is twofold virtually from beginning to end. The second is that the Oslo Philharmonic is not a "native" Strauss orchestra. Yet so brautish enthusiastic was the Oslo attack, so unforgiving the players' appetite, that even your reviewer, the most erratic of Straussians, was won over. The concert, which was televised live on BBC2 and broadcast on Radio 3, opened with Alfred Schnittke's (*Reinhold Schneider*) *Requiem* of 1983, a rather strenuous comic sabbath in the manner of Charles Ives. It then offered the Tchaikovsky Violin Concerto, with Midori, the Japanese Wunderkind, making her Proms debut. In the reflective passages she was lyrical, tender, velvety, exquisite; in the bravura ones rather effortful, unsparking, as though diligently repeating a lesson carefully learned but incompletely absorbed.

Max Loppert

The Edinburgh Festival

MacMillan's operatic issues

The festival prospectus promised us a "double bill of operas". What ever else they may be, *Busquedra* and *Visitation* by James MacMillan are not that and the evening devoted to them at the King's Theatre on Wednesday left impressions that were anything but operatic.

This was the most substantial offering of Edinburgh's in-depth survey of MacMillan's work. For those not familiar with the composer, a brief biography may be helpful. MacMillan is Scottish, at 34 still young in today's terms, his homeland's leading voice in new music. He has taken up a decisive stance on political and religious issues. Of these two works, both are steeped in the Catholic faith and one also recalls a recent case of political mass injustice, beliefs on Mac-

Millan's part which give this music added purpose. *Visitation* is less an opera, more a celebration of faith. It sets a 14th-century liturgical drama that would have been enacted at Notre Dame in Paris on Easter Sunday. First the crucifixion, then the resurrection as recounted by three angels to three women, and finally a "Te Deum", its culmination in a hymn of praise.

The intention is to portray the events in as objective a manner as possible, so MacMillan effectively de-personalises his music, having the text chanted or sung in ensemble wherever possible; no individual emotional response is allowed. Much of the central section is spare, as though wanting to convey an antiquity of tone, resonating down the centuries. The "Te Deum"

starts with a lot of unconvincing agitation from the orchestra, too angst-filled to be appropriate to the words, but rises at the end to glorification.

None of this is easy to bring off and Francisco Negrin's stage production tipped the pieces well over the edge into pretentiousness. Watched on a cloud of incense, three semi-nude dancers pose half way up the wall, while the women and angels play spot the symbolism, flicking water at each other and ripping pages out of books with very meaningful looks. Next time I would like to see a simple re-enactment of the drama.

For *Busquedra*, even that is unnecessary. MacMillan's theme here is the lost sons of Argentina, a subject already memorably captured on film. An opera is words through music, but this work is decid-

edly words with music. What he gives us is a collage, in which poems written by the mothers of "the disappeared" are read or sometimes chanted, interspersed with sections of the Latin Mass.

There is little singing: indeed little music imposes at all. As an accompaniment to the poetry, the score is sparse, generally expressing an elegiac mood of grief, as filtered through years of waiting. I found its response to the poems mostly simple and moving. The narrator was Juliet Stevenson and Ivor Bolton conducted the Scottish Chamber Orchestra, seated on stage, where there was thankfully no production to distract our attention.

Richard Fairman

Sponsored by Scottish Power

Dr Faustus Lights the Lights

How curious to find that Gertrude Stein, the American in Paris and pioneer of avant-garde wordplay, wrote *Dr Faustus Lights the Lights* with Britain in mind - as an operatic sequel to *A Wedding Bouquet* (the choral ballet, still extant in repertory today, which Lord Berners had created from her play *They Must Be Wedded*, *To Their Wife*). Now Robert Wilson, another American pioneer and leading creator of new-wave theatre since the 1960s, has collaborated on a new production with the German sound artist Hans Peter Kuhn. The result, brought by the Hebbel-Theater, Berlin, is arresting, bizarre, ironic, droll, absorbing, fascinating.

At surface level, Stein's text is a post-Lewis Carroll array of rhyming nonsense jokes. Because Marlowe had his Faustus fall for Helen of Troy, whereas Goethe's Faust falls for Marguerite, Stein's Faustus falls for a heroine who is called "Marguerite Ida and Helena Annabel". And because Faustus chooses to go to Hell, Stein deliberately confuses her story with that of Eurycleia (who was

and victim and saviour.

Wilson's staging, at every stage elegant and incisive, goes for every bizarre and irony in Stein's text and compounds them with others. Three Faustuses, three Marguerite Idas, two Marguerite Idas, a nine-foot-tall countrywoman played by a man on stilts beneath his skirts. Image after image strikes you with the same ironic visual force that keeps bubbling up in the text. Devils hover aloft; Faustuses lean out sideways from the proscenium arch. Light and dark are contrasted in one way after another; abstract forms and hues catch and intensify meanings in the text.

At one point, Wilson catches all the ambiguities of the Faustus-Marguerite love-death, tim-viper-killer nexus, by making one Faustus advance to plant his snarling mouth on one Marguerite's neck like some vampire snake, only to find that in so doing he

impales himself on the blade that she impressively holds in her hand. Meanwhile, another Marguerite, wandering with a candle, at last unites its light with the electric light that has hung over Faustus. In an earlier treatment of the viper bite, as we hear all three Marguerites scream, a gas of red suddenly cleaves the black sky, like a rising red poker.

Kuhn's music is in post-Satie vein, full of sub-vaudeville tunes and muted, campy rhythms that almost become tangos. The German can speak their English with utter clarity, though with even more staccato emphasis than appropriate. The fact that Stein was turning language into music is made beautifully clear, and every metre is pointed deliciously - but Kuhn's music and the actors' delivery could profit from a bit more legato and dynamic variety. But if this staging falters in its handling of the fourth dimension (time), Stein's text keeps it lively. And it is always clear that the three dimensions of space (and light) are being handled by a master.

Alastair Macaulay

It's comic time (again) on the Fringe

There is an awful lot of (awful) comedy infesting the Fringe this year which forced the poor Perrier judges, looking for the best comedian, to check out over 100 shows. They have come up with a short list of seven, one of whom invites on Saturday night anecdotes about the performer's childhood, or oddball monologues about contact lenses and bodily fluids. The wiser comedians come up with some packaging these days. For Arthur Smith it is writing witty plays. His brilliant *An Evening with*

John Shuttleworth, a former security guard at a Rotherham sweet factory who entertained the old folks on his Yamaha and was only too happy to pass on tips on a career in show business. Shuttleworth is now more rounded and much more pathetic. He somehow manages to re-incarnate John Major, the cabinet artist, if he had not stumbled on politics.

There are more awful songs which become worryingly catchy, like "Up and down like a bride's nightie", but the sadness of the eternal optimist who only has unemployment, a bored wife, and trips to Texas Home Stores to look forward to, is achingly conveyed. Shuttleworth captures the limited concerns of the common man and in spite of all the banality, is very sympathetic. And fellows is very funny. The other favoured form of comedy is the sketch show, taken to extremes by Stewart Lee and Richard Herring in *Lionel Linford's Inexplicable World*. This is a case of comic regression. Most fringe performers spend the next year regurgitating their material on the radio. Lee and Herring's act has already been aired on Radio 4.

They attempt to answer the Big Ones: do ghosts exist? are monsters real? and although they are as unstructured as student humorists they are extremely amusing, not least in the running gag on Herring's sexual inexperience. The climax, when Lee re-writes the Dead Sea Exercise Book, in which the future is ordained, is as nicely argued a piece of comic surrealism as you will find anywhere.

Antony Thornecroft checks out the Perrier short list but finds that wiser comedians come with more packaging

Gary Lineker seems destined to haunt Edinburgh for ever. His latest, *Sod*, (at the Pleasance) will quickly disappear again underground. We are just not interested why Frank decides to bury himself in his back garden for four months. It is immaterial to the real play, which is Smith's memories, conveyed through Frank's ten year old son, of the summer holidays of childhood "when it was always boiling hot and every pop song was a classic." This is a sketch too far, with slight whimsical charm. Other comedians develop a character. Last year Graham Fellows turned up as

INTERNATIONAL ARTS GUIDE

Metropolitan Opera opens 1993-4 season on September 12, celebrating the 25th anniversary of the Met debuts of Luciano Pavarotti and Luciano Pavarotti. James Levine will direct stagings of *Die Walküre*, *Otello* Act I and II, *Il trovatore* Act I. The cast also includes Ilir Chernov, Kallin, Walter, and Sherrill, and Hans Sotin. The season has five new productions, three of which are by Verdi. Domingo sings the role in *Stiffelio* (Oct 21), ed by Giancarlo Del Monaco conducted by Levine. This followed by *Die Walküre* (Oct 21), ed by Otto Schenk conducted by John, with Gabriela Benackova as title role. Pavarotti returns to the role of Otello (Dec 2), cast that also includes Aprile and Samuel Ramey, and John-Johnson as Otello in Colin Graham's

staging of *Death in Venice* (Feb 7), conducted by David Atherton. The final new production is *Otello* (March 21), conducted by Valery Gergiev and staged by Eliazh Mozhaysky, with Domingo, Carol Vaness and Sergei Leiferkus. The first new production of New York City Opera's current season is Tippet's *The Midsummer Marriage* (Sep 8), followed by a trio of new operas in early October - *Extra Ladernan's Marilyn*, Lukas Foss's *Griffith* and Hugo Weisgall's *Esther*. The New York Philharmonic's season opens on Sep 22 with a Beethoven and Shostakovich programme conducted by Kurt Masur, featuring violin soloist Itzhak Perlman. Carnegie Hall opens the following evening with a Philadelphia Orchestra concert conducted by Wolfgang Sawallisch.

EXHIBITIONS GUIDE

BALTIMORE Museum of Art Classical Taste in America 1800-1840: 250 paintings, sculpture, furniture and other objects showing the attraction which early Americans felt to the classical style. Ends Sep 26. Closed Mon and Tues. BARI Castello Svevo Corrado Gagliostro: the late-baroque artist, who provided enormous altar-paintings for numerous Roman churches and was feted in European courts

during his life-time, has since been unfairly neglected. This fine show, with works from European and American collections, attempts to set the record straight. Ends Sep 5. CHICAGO Art Institute The Art of Holy Russia: 120 objects from the Russian State Museum in St Petersburg, dating from the 11th to 18th centuries. They include panel paintings, textiles, metal liturgical objects, miniature icons, manuscripts in medieval Slavonic script and objects carved from wood, ivory and stone. Ends Sep 15. Daily. DAVOS Kirchner-Museum The Dance: a collection of drawings by the expressionist artist Ernst Ludwig Kirchner. Inspired by his friendship with two great early 20th century dancers, Mary Wigman and Gret Palucca. Ends Oct 10. Daily. DUBUCCIO Musée des Beaux-Arts The Golden Age of Dutch and Flemish Paintings: a selection from Catherine the Great's collections in the St Petersburg Hermitage. Ends Sep 27. Closed Tues. DORTMUND Museum für Kunst China's Golden Age: 120 art objects from the Tang Dynasty (618-907 AD), including richly-ornamented golden vessels, porcelain, silks, brocade and figures. Ends Nov 21. Daily. EDINBURGH National Gallery of Scotland Holbein and the Court of Henry VIII: 28 portrait drawings and five miniatures from the unrivalled royal collection at Windsor. Ends Sep

28. Daily. Scottish National Gallery of Modern Art Russian Painting of the Avant-Garde: Kandinsky, Malevich, Larionov, Popova, Goncharova and others who flourished before the Stalinist suppression of innovation and experiment. Ends Sep 5. Daily. Royal Scottish Academy The Line of Tradition: 300 watercolours, drawings and prints by Scottish artists from 1700 to the present. Ends Sep 12. Daily. Scottish National Portrait Gallery Phoebe Anna Truquair (1852-1936): paintings, embroideries and illuminated manuscripts. Ends Nov 7. Daily. City Art Centre The Walking Dream: only British showing of the Glasgow Paper Company collection of photographs, charting the development of photography through its first century from 1839 to 1939. Ends Oct 2. Daily. ESSEX Folkwang-Museum Morosov and Shchukin, Russian Collectors: 120 works from the St Petersburg Hermitage and Moscow Pushkin Museums, representing the remarkable collection of French impressionists and early moderns built up by two Russian entrepreneurs in the early years of this century. Ends Oct 31. Closed Mon. FLORENCE Casa Buonarroti Michelangelo - 18 masterpieces: these are the top drawings out of the 200-strong collection owned by the Buonarroti Foundation. All are of the highest quality, and all are signed by the artist. Ends Oct 30.

Galleria del Costume di Palazzo Pitti Fashion at the Court of the Medici: Florence's youngest museum celebrates its tenth anniversary with the results of a remarkable restoration job on the costumes worn by Cosimo, Eleonora and Don Garzia de' Medici at the time of their burial in the mid-16th century. Ends Dec 31. LONDON Hayward Gallery Arslan: the most comprehensive exhibition of Aboriginal art ever seen in Europe. Ends Oct 10. Daily. Royal Academy of Arts Pissarro's Series Paintings. Ends Oct 10. Daily. Tate Gallery Art and Liberation: painting and sculpture in postwar Paris 1945-55. Ends Sep 5. Turner's Painting Techniques. Ends Sep 12. Edward Burne-Jones: sketches from the museum's collection, underlining the 19th century English artist's skill as a draughtsman. Ends Nov 7. Daily. LUGANO Villa Favarella Lost Empire of the Silk Road: a remarkable collection of 37 well-preserved pieces of Buddhist art from the 10th to 13th centuries, which lay buried under the sands of the Gobi Desert, until they were uncovered during archaeological research in 1908. Ends Oct 31. Also 19th and 20th century paintings and watercolours from the Thyssen-Bornemisza Collection. Ends Oct 31. Daily. MONTENAPOLI Fondazione Pierre Gianadda Degas: his entire work as a sculptor, consisting of 74 bronzes of horses, dancers and nudes, surrounded by dazzling pastels, oils and

drawings relating to them. Ends Nov 21. Daily. MOSCOW Pushkin Museum Matisse: an abridged version of the recent shows in New York and Paris, but specially augmented by 130 paintings from Russian collections. Ends Sep 15, after which the show will move to the St Petersburg Hermitage. NEW YORK Guggenheim Museum Paul Klee: 60 works from the museum's own collection. Ends Sep 19. Rebecca Horn: first full-scale retrospective of the German artist. Ends Oct 1. The main museum is closed on Thurs, the SoHo site on Tues. Metropolitan Museum of Art Nudes: 30 works by Schiele, Klimt, Chagall, Picasso and Munch. Ends Oct. Abstract Expressionism: works on paper from the period 1938-67 by American artists. Ends Sep 12. Closed Mon. Museum of Modern Art Latin American Artists of the 20th century. Ends Sep 7. Chuck Close (b1940): 15 large-scale screen prints. Ends Sep 28. Closed Wed. PARMAGalleria Rocca Foundation The Barilla Collection of Modern Art: paintings and sculptures by Picasso, Dubuffet, De Chirico, Magritte, Bacon, Sutherland and many other 20th century artists. Ends Nov 28. Closed Mon. SPYER Historisches Museum der Pfalz Three Millennia of Egyptian Culture: masterworks of Egyptian-oriental art from the Vienna Kunsthistorisches Museum. Ends Oct 3. Daily.

VIENNA Kunsthalle The Language of Art: a survey of the relationship between text and picture in 20th century art, from the Cubists to the present day. The exhibition features work by Picasso, Braque, Magritte, Klee, Jasper Johns, Warhol and the Arts and Crafts movement - plus a large group of contemporary artists including Jean-Michel Basquiat, Ian Hamilton Finlay and Christopher Wool. Ends Oct 17. Closed Tues. WASHINGTON Walters Art Gallery Art from Korea: rarely-exhibited ceramics and other Korean objects dating from the third to the 19th centuries. Ends Sep 12. Kabuki Prints by Hiroasada: designs by the 19th century printmaker, capturing climactic moments of favourite theatre plays. Ends Sep 26. Artists of Edoen: 25 drawings recording daily life in late 19th century France, by a group of artists eclipsed by impressionism and the modern movement. Ends Feb 6. Closed Mon. Hirshhorn Museum Jean Dubuffet: 97 paintings, sculptures and assemblages by the unconventional 20th century French artist. Ends Sep 12. Daily. ZURICH Graphische Sammlung der ETH Swiss graphic art from Alberto Giacometti to Urs Lüthi: an exhibition covering the past 50 years, with work by eleven artists who have won an international reputation. Ends Sep 24. Closed Sat and Sun.

The whiff of scandal has penetrated the thick stone walls of Monte dei Paschi di Siena, the world's oldest bank. In five centuries of lending, through the bloody wars between the city states of Florence and Siena and the unification of Italy, its reputation has never faced such attack.

Two members of its board were arrested earlier this year after allegedly receiving kickbacks for granting loans. They have been hailed pending trial. Soon afterwards, Mr Carlo Zini, managing director, stepped down, after being told by magistrates that he was under investigation on similar allegations.

The inquiries - against the background of Italy's 18-month political corruption scandal - caused a tremor along the Gothic corridors of Monte dei Paschi. Located in a fortress-like palazzo and founded in 1472, it is the second biggest bank in Italy after Banca di Roma in terms of branches.

At stake are more than Monte dei Paschi's image and the careers of a few individuals. Concerns prompted by Italy's corruption scandals will also have an impact on a long-running debate in Siena: whether to break the shackles which have bound the bank and city council for centuries.

There is no suggestion that the council has been involved in corruption. But investigations across Italy into links between politicians and business could tip the balance in a debate about whether Monte dei Paschi has to change to compete in Italy's increasingly aggressive banking sector.

With the Italian government keen to encourage competition, Monte dei Paschi's structure, which dates from its origins as Siena's municipal pawnshop, was looking outdated even before Italy's corruption scandals erupted.

Controlled by the city council via a charitable foundation, the bank has neither the freedom of a quoted company to raise capital nor the discipline imposed by a wider shareholder base. The bank's board consists of just four members of the council and four bank representatives.

Adding to the pressure for a rethink on Monte dei Paschi's future has been a steep fall in its profits. The recession has forced the bank, like many others in Italy, to increase provisions against bad debt. Last year net earnings fell to just L8bn (\$3.3m) from L23bn in 1991.

Monte dei Paschi is now the

Showdown at the palazzo

Haig Simonian on rifts at the world's oldest bank



only big bank left in Italy tied so closely to its historical roots. In January, Turin's Istituto San Paolo, which also started as a pawnshop, was floated on the stock market, allowing it to tap shareholders for money and reducing suspicions that it is susceptible to political influence.

Transforming Monte dei Paschi into a limited company is the battle cry for younger managers and some in the banking world outside Siena calling for radical changes at the bank. Such a move would bring tax breaks under legislation meant to encourage banks to move from charitable status and eventually to flotation.

"Executives know the bank must turn into a limited company if it is to remain competitive with other big banks, such as San Paolo, which have already made the change," says one manager. "But they can't force the issue. Public opinion in Siena could block any changes that might compromise local control."

Resistance to change has come from the city council, dominated by the former Communist party, which is reluctant to relinquish local government control and sees little necessity for reform of the bank.

Mr Pierluigi Piccini, Siena's mayor and the most prominent of the anti-reformers, says: "Not all successful banks are limited companies. There are plenty of financial institutions in the UK, France and Germany which do very well under municipal control."

He believes there is a close "moral bond" between the city and the bank, which has, under its charitable status, offered half its profits to the community. "We have traditionally refused to take the full proportion of profits we are entitled to, preferring to leave the remainder to the bank to help finance its growth," says Mr Piccini.

The Siennese have traditionally defended the bond between city and bank as tenaciously as they once fought to remain independent of Florence. In a city famous for its fierce internal rivalry, which finds expression in the twice-yearly Palio horse race, the bank is a symbol of unity.

Trying, discreetly, to steer a course between the radical reformers and opponents of change are Mr Vincenzo Pennarola, who took over last month as managing director, and Mr Giovanni Grottanelli de Santi, Monte dei Paschi's chairman, appointed last December. They are keen to take advantage of opportunities for regional and international expansion - Bank of Italy controls on territorial expansion by banks were relaxed in 1990. But Mr Grottanelli de Santi and Mr Pennarola are reluctant to sacrifice the links with the city which, they acknowledge, have ensured the bank's stability since its foundation.

They deny reports that they are determined to take the bank public, stressing instead that Monte dei Paschi must streamline its cumbersome structure.

The group comprises six, partly overlapping, banks. The parent company has 669 branches, while Banca Toscana, the biggest subsidiary, has a 259-branch network, much of it in the same Tuscan towns as its parent. Last year, regional duplication increased when the bank bought a municipally-controlled savings bank in Prato, also in Tuscany.

In northern Italy, Credito Commerciale and Credito Lombardo, the group's two Milan-based banks also overlap.

"Monte dei Paschi is a very unusual bank," says Mr Pennarola. "We have to decide on a future structure and are now preparing various options to put to the board within the next two months." But with local passions running high, Mr Grottanelli de Santi says steps on restructuring would not necessarily foreshadow the bank becoming a limited company.

Conscious of the sensitivity of the issue, he goes out of his way to avoid a public confrontation with the city council. "We welcome the city's participation on our board," he says. "Find me another bank where the managing director or chairman are stopped in the street by old schoolfriends, or even strangers, and hushed about yesterday's decisions."

But Mr Grottanelli de Santi's carefully-chosen words cannot hide the debate over the bank's future. This year's corruption scandals have not helped the bank's image over the short term. If public opinion shifts in favour of creating greater barriers between politicians and business, it will test the relationship between the Siena council and reformers such as Mr Grottanelli de Santi and Mr Pennarola.



Commuters in the south-east face steep fare increases, part of the inevitable fattening up process before British Rail is privatised

On the bandwagon

Privatisation need not mean price rises, says Michael Cassell

To the cynical consumer, the pattern looks familiar. With the government intent on privatising British Rail, leaked BR documents suggest passengers in the south-east lines face fare rises of up to 16 per cent.

The move is seen as the inevitable fattening up process before BR is auctioned off. The expectation is of further, stinging fare increases.

But the widely held perception that, whatever happens to the quality of service, privatisation spells bigger bills, can be wide of the mark.

The debate rages over excessive profits and executive rewards in privatised utilities, the first of which, BT, has been free of the state for nearly 10 years. But the evidence suggests consumers have few grounds to complain on prices.

Whether or not privatisation is responsible, businesses like BT, British Gas and, for some customers, the regional electricity companies can boast large real price reductions.

Low inflation, rising competition and tough regulatory controls have played a part. The price performance of some privatised businesses may look unduly flattering, since they are being compared with large price rises in the run-up to flotation.

It is impossible to say with certainty what prices would have been if privatisation had remained in state ownership, though some observers believe they would have offered a better deal to customers.

The post-privatisation picture is not all roses for the consumer. The most obvious bad tidings came from the water industry, where demands for improved quality have imposed high cost burdens, likely to total £45bn,

which are being passed to consumers.

Many electricity users, too, have faced significant price rises, although domestic bills this year have been reduced. But UK householders' bills still compare well with others in Europe.

Of the privatised utilities, British Gas seems best at trumpet-blowing, some claim unjustifiably. It claims prices to its 18m domestic consumers have fallen by 20 per cent in real terms since privatisation in 1986, making them the cheapest in Europe. Even with the planned 17.5 per cent value-added tax rate applied, they will be at the lower end of European prices.

For industrial gas users in general, the record is even better - with real reductions averaging 26 per cent since 1986.

Not everyone, however, is prepared to hand a bouquet to British Gas. Mr George Yarwood, of the Regulatory Policy Research Centre, says the real fall in domestic gas prices is almost entirely due to lower prices on arrival on the beachhead.

He stresses electricity prices, which rose sharply prior to privatisation in 1990, have not fallen in real terms since the sell-off. He suggests that average electricity prices were up to 25 per cent higher for domestic customers by 1992 and 19 per cent higher for industrial consumers than they would have been if

earlier price trends had continued.

But Prof Stephen Littlechild, electricity industry regulator, says the arrival of competition in 1990 led to big price falls for industrial users; despite rises since then many prices remain lower in real terms than before privatisation.

Big customers on interruptible gas contracts - they pay less and run the risk of having supplies temporarily cut off - benefit from some of the lowest comparable prices in Europe.

Yet some, like ICI, British Steel and Blue Circle Industries are fighting to scale down prices. Since privatisation, they have had to buy supplies daily on the spot market, whereas before they could strike their own deals with the old Central Electricity Generating Board.

For BT, which in 1984 led the privatisation bandwagon, criticism of some high call charges has obscured the overall real fall in bills.

But then the Post Office, too, has done well since it split away from BT in 1984. Postal tariffs will rise in November after a two-year freeze, but average letter prices have fallen by 10 per cent in real terms in the past decade.

BT rates for local calls - covering a wider range than in many other countries - remain among the most costly in Europe and North America.

But international call charges - subject to increasing competition from Mercury - are among the cheapest. Transatlantic call costs are down more than 40 per cent since the BT sale.

Ofel, the industry watchdog which regulates BT by monitoring a basket of its services, says overall prices have fallen in real terms by at least 25 per cent since privatisation.

Domestic subscribers with "medium-sized" bills - an average £44 a quarter - have seen a 5 per cent average reduction since 1989. Significantly higher line rental charges - up by about 40 per cent since 1988 - have partially offset lower call charges.

The water and sewerage industry has had no good news on prices since privatisation in 1989. But it claims to have to correct decades of under-investment. Average household water bills have risen by almost 37 per cent more than the RPI in the past five years.

Consumer surveys by Anglian Water and Welsh Water have found that consumers will accept still higher bills to help pay for water improvement programmes.

If the privatised businesses have a mixed record on prices, their future performance seems as likely to depend on the disciplines imposed by their respective regulators as on the varying degrees of marketplace competition they face.

As for passengers of a privatised railway system, the expectation is that to help revive a loss-making industry in long-term decline, prices will have to rise before and after privatisation.

The government says privatisation will offer more and better trains at attractive fares. In the grand tradition of railway passengers, they will have to wait to find out.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Simpler is better for setting out tax rules

From Prof D R Myddelton.

Sir, Malcolm Bachus is right to complain at the government's miserable failure to deal with the enormous and unnecessary burdens of the tax and accounting regulations ("Companies still weighed down by burden of tax regulations", August 24).

For example, why does the Companies Act need to take more than 50 pages on "Form and Content of Company Accounts"? Why not just have

a single brief section? It could say: "The accounts of companies, and of groups of companies where appropriate, should give a true and fair view of the state of affairs of the company or group as at the end of the financial year, and of the profit or loss for the financial year."

If one wanted to elaborate, there could be a second sentence spelling out what is normally expected: "It would normally be expected that a set of accounts would need to comply

with current accounting standards in order to give a true and fair view, though this might not be so in exceptional circumstances."

That would not only save much needless verbiage, it would eliminate the existing contradictions between company law and accounting standards, for example with respect to stock valuation, development costs, depreciation, research, deferred taxation and pensions.

As for tax, hundreds, probably thousands, of the most intelligent people in the country waste their time trying to interpret tax rules. May I ask how many civil servants are employed full-time on trying to find ways to simplify the rules? D R Myddelton.

Cranfield School of Management, Cranfield Institute of Technology, Cranfield, Bedford MK43 0AL

Economists cannot price environment

From Dr Jörg Schimmelpfennig.

Sir, Your leader writer's recommendation that the environment should have a price tag on it in the same way that other goods have, and that environmental policy should be based on such a price, is highly questionable ("Valuing the environment", August 19).

At the same time it sets the very same trap that Prof Lawrence Summers, the World Bank's chief economist, walked into with his infamous leaked World Bank memo last year (see "Save planet earth from economists", February 10 1992). Prices do nothing but reflect both people's (marginal) willingness to pay and their ability to pay.

However, as ability to pay obviously depends on income, willingness to pay depends on the prevailing income distribution.

To place environmental policy on such a footing provides a perfect justification for, say, South America to cut down its rainforests and Europe to export its waste and, thus, pollution, to Africa. It is perfectly efficient, isn't it?

If that is what economics is actually about, then economists had better renounce their claim to being responsible policy advisers.

I doubt whether you are really serious about these implications. Dr Jörg Schimmelpfennig, Department of Economics, University of Osnabrück, 49069 Osnabrück, Germany

Local authority contracts threatened by transfer rule

From Sir Brian Hill.

Sir, One interpretation of the recent employment appeal tribunal decision in Wren versus Eastbourne Borough Council could be that the contracting out of local authority services will be caught by the Transfer of Undertakings (Protection of Employment) regulations.

If the local authority work is judged to be a transfer of an undertaking under the regulations, council employees who had previously carried out the work are automatically transferred to the contractor on their existing terms and conditions of service.

Such an interpretation would have profound implications for contractors in areas such as building maintenance, and is, in my confederation's view, absolutely wrong.

The tribunal's decision in the Eastbourne case simply emphasises the need to take into account the various European cases on the Acquired Rights Directive, from which the TUPE regulations are derived. Whether a transaction constitutes a transfer must be determined in accordance with the circumstances of each case.

Both of these principles are already part of the legal framework of the TUPE regulations.

Even if, the industrial tribunal currently reviewing the Eastbourne case finds that there was a transfer, such a decision is unlikely to mean that contracts for building maintenance work are any more likely to be caught by the regulations. This is because there are two important points of distinction between this case and the circumstances that apply to most building maintenance contracts: the contractor in the Eastbourne case employed over half the council's staff and took over its premises and vehicles.

A transfer of employees and a transfer of assets are two of the most important factors pointing towards a transfer within the meaning of both the TUPE regulations and the Acquired Rights Directive. So it would not be surprising if the industrial tribunal concluded that a transfer had occurred.

In any event, this case does not remove the serious concerns felt within the construction industry about the effect of the TUPE regulations on the government's compulsory competitive tendering policy. As things stand, far from protecting employment the TUPE regulations are having the effect of inhibiting contractors from taking on public sector work.

This, in turn, is resulting in higher jobless figures in the construction industry.

What is needed is the amendment of the European Acquired Rights Directive to make it clear that these regulations do not apply either to the contracting out of work by councils or to the taking over of contracts from insolvent companies.

My confederation strongly welcomes government support for such an amendment and wishes to see early action by the European Commission to achieve this objective.

Sir Brian Hill, president, Building Employers Confederation, 22 New Cavendish Street, London W1M 5AD

UK should set example on equality

From Mr Onésimo Alvarez-Mora.

Sir, I wonder how many women the FT has on its editorial team? Not many, judging by the leader "Equal pay for women" (August 25). In covering the Equal Opportunities Commission's move to take the government to the European authorities, the FT is caught with its equality pants down.

It is absurd to suggest that women should be satisfied with their lot just because they have found it easier than men to get jobs. They have had to accept more precarious, part-time and less remunerative jobs (even for the same work done). Should they be grateful for the favour?

It does not lessen the farce that we have narrowed the wage differentials to 80 per cent. We are still a long way from equality, regardless of what other countries are doing.

It is true that other countries need to do much more, but let us teach by example.

As for Mr David Hunt, the new employment secretary, he need not fear. European court actions unfortunately take a long time. All Mr Hunt need do is eliminate the inequalities in order to stop any action in its tracks. The ball is in his court. While we continue to consider women as a minority - over 50 per cent of the population in the UK - their unjustifiable treatment can be expected to persist. Onésimo Alvarez-Mora, O'Donnell 6, A-9-1, 28005 Madrid, Spain

The Rays of Life

Life itself springs forth from the sun. Sinar Mas, as one of the leading business groups in Indonesia, appreciates the gifts of nature and is committed to responsible development and the preservation of the environment in order to improve the quality of life for the benefit of mankind.

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The Group's agro-business activities help provide the most fundamental of all human needs - the need for food.

The Sinar Mas Group has roots in the vegetable oil business, having begun operations in this area more than 40 years ago.

Today, the Sinar Mas Group has modern refineries producing edible oils and fats required by domestic consumers and food industries.

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Sinar Mas has been selected to participate in the government sponsored program "Care '92", designed to educate the public on environmental issues, including pollution control and recycling. The Group's activities in this program include providing loans to small businesses for waste management projects, and the purchase of materials for recycling purposes.

With the source of its business and inspiration found in nature, the Sinar Mas Group is committed to responsible development through its environmentally sound policies and activities.

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FINANCIAL TIMES

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Friday August 27 1993

Bundesbank stays tough

YESTERDAY'S interest rate cut that did not happen was as revealing as the dog that did not bark. The Bundesbank is trying to tell the world something. Others should listen carefully and respond sensibly.

It sometimes seems a pity that analysis of financial markets is dominated by the Anglo-Saxons. They are right when recognising the limits on the ability of governments to override markets. But it seems almost impossible for non-German analysts or even non-German politicians to understand what the Bundesbank is about.

Surely, they have been saying the Bundesbank would not persist with its tight monetary policy, especially when monetary growth is a mere one per cent above its target range. Would it really impose a savage recession in order to push inflation from 4 to below 3 per cent, when higher administrative prices explain much of the inflation? Would the Germans tolerate such severity when they are struggling with unification? And what about Mr Kohl, slayer of Bundesbank inhibitions on German monetary union, would he allow the ERM to be put to the sword?

The answer to all these questions, we now know, is yes. The Bundesbank does believe in monetary targeting. Enough of the Germans who matter will not merely put up with its policy, but support it. And as for Mr Kohl, he neither can nor will do anything to halt it. Interest rates are a lever for the Bundesbank, said Mr Kohl yesterday during his summit meeting with the French prime minister, Edouard Balladur. This did not prevent the German chancellor from reiterating his desire to see Europe's economic and monetary union implemented on schedule, with the familiar proviso that participants should first meet the Maastricht Treaty criteria. Since this is precisely what the Bundesbank has made difficult to achieve, Mr Kohl might be accused of wanting to have his cake and eat it.

D-Mark appreciation

Mr Hans Tietmeyer, the Bundesbank's president designate, is another open to the same accusation. He wants to be free of the costs but still enjoy the benefits of the ERM, by arguing that a substantial appreciation of the

D-Mark would be undesirable. Since yesterday's decision not to cut the discount rate also rules out further reductions in market rates, which are close to their floor, he is telling other European countries not to lower their rates of interest more than modestly. Presumably he is feeling the pressure from worried German exporters.

In other words, Mr Tietmeyer is a liberalised man. He is freed from worry about his promotion, while the institution he is about to head is freed from day-to-day worries about the ERM. Even though the trend in German short term interest rates is downwards, that decline is now likely to be slow and the disinflationary pressure persistent.

Lower rates

One reason for this is the Bundesbank's determination to restore the D-Mark to the ranks of the world's low inflation currencies. In addition, it needs to sterilise the exchange market intervention that accompanied the ERM crisis. Moreover, to have failed to lower rates in July, when that might have saved the ERM, only to do so now would pour petrol on the flames of resentment.

Whether the Bundesbank is right to remain so hawkish, though an intellectually important question, is beside the point in practical terms. What is not beside the point is whether other European countries, notably France, are right to go on shadowing the D-Mark when the exchange rate link is broken. What is the point of having flexibility if the authorities will not exploit it?

France is worried about the effects on European monetary co-operation of uncoupling its interest rates from those in Germany. It is worried too about its own disinflationary credibility. Both concerns are overdue. It was not French, but German policy that undermined the ERM. It is not French, but German insouciance that threatens the achievement of ERM. It is not the French, but the German economy that suffers from stubborn inflationary pressures. France and the other European countries afflicted by unnecessary recessions should exploit their freedom of manoeuvre. If they do not do so now, they will be forced to do so later.

Big trouble at Volkswagen

AS GERMANS yesterday witnessed the astonishing sight of police officers swooping upon the premises of Volkswagen and the homes of VW executives, they must be reflecting that nothing the German car-maker has done this year has been in character.

The decision to bring in as chairman the hard-driving Austrian, Mr Ferdinand Piëch, with a remit to jolt VW from its losses and lethargy; the recruitment from General Motors of the flamboyant Mr José Ignacio López de Arriortua, as VW's production director; and finally, the mix of scorn, bluster and diplomacy with which VW responded to charges that Mr López's value to his new employer had been augmented by an unspecified quantity of information and material stolen from GM. It is as if a portly middle-aged man, after a lifetime of grey suits and regular habits, had taken to designer sports-wear and dark glasses.

Such changes in regime are always dangerous; indeed they sometimes lead to heart attacks. That does not mean they can be avoided; it means they must be properly planned and carefully supervised.

The case for ambitious change at VW was and is beyond argument. Its costs are too high and its speed of reaction too slow. When those weaknesses were tested by a recession in the company's domestic market, the result was a collapse in profits. Mr Piëch seemed like the man to meet the challenge. He has vision and a track record in managing change.

Serious mistakes

It is time, however, for him to acknowledge that he has made serious mistakes. Whatever the basis of the allegations against Mr López, he was unwise to place such heavy reliance upon the talents of a single individual to effect a cultural transformation in the way VW makes cars and deals with suppliers. Mr López may be a "change agent" in the jargon, but change on this scale requires consent, which cannot be produced only by force. It also goes without saying that in demanding painful change, the proponents have to be unimpeachable in terms of their own integrity. If not, they will be

Deep gloom

Mr Rexrodt himself cannot survey the affair with anything but the deepest gloom. His mediation has had no effect and should not have been attempted in the first place. His motive, to prevent further damage to the image of German industry, and especially to VW, which is in part a state-owned company, is understandable, but it is not the job of government ministers to intervene when a serious criminal investigation is in prospect. The modernisation of German industry, which must include increased transparency in the way that companies are governed, requires that ministers play a more restrained role.

Probably the most encouraging aspect of yesterday's events is that they show the state prosecution system, initially sluggish in its response to GM's allegations, to be somewhat zealous in its determination to get to the bottom of the matter. It is now in the interests of VW, German industry and Germany itself that this process be completed as speedily and effectively as possible.

It cannot yet be predicted what that means for Mr López or for Mr Piëch, the VW board will have to judge where the best interest of the shareholders lies. For the company's suppliers, whose excessively high costs were to be the target of the Piëch-López onslaught, it is a time to marvel at the chaos and to remember that when this particular battle is over, someone from Wolfsburg will back, with a demand that they cut their prices, or else.

As the Bosnian parliament meets in Sarajevo's battle-scarred Holiday Inn hotel today to debate the latest peace plan drawn up in Geneva, it does so to the sound of an international ultimatum.

If western negotiators are to be believed, today's meeting represents the last chance for the Bosnian government to agree a settlement - either it must accept the plan to divide Bosnia into three ethnic mini-states, before returning to the negotiating table in Geneva on Monday or, inevitably, it must face further bloodshed.

Such an ultimatum is unlikely to have much effect, however. Although the Serbs and Croats seem likely to accept the deal when their own parliaments meet today, the Bosnian government seems set to demand revisions for as long as it believes it can force a better deal either by stepping up the threat of western military intervention or by continuing the onslaught in central Bosnia.

An attempt by the country's weak, multi-ethnic government to stall would be understandable. Both alternatives on offer - agreement or further fighting - are undesirable. If the Moslem-dominated leadership says "yes" to the plan, they will be accepting a "solution" that not only legitimises the dismemberment of Bosnia and with it their military defeat, but which also seems unwelcome.

The new map of Bosnia would give the Serbs a geographically contiguous republic covering 54 per cent of Bosnia, and borders with Serbia and Croatia; the Croats would have 17 per cent of the territory, divided into two parts, one of which touches Croatia; the Moslems, who formed 43 per cent of the population before the outbreak of war, would be scattered between four disjointed chunks of land, wedged between two hostile states. "Bosnia" would be little more than a name on a map.

Vital questions would remain: where would ethnically mixed Bosnians live; who would govern the capital Sarajevo and the southern town of Mostar after the proposed two years of United Nations and European Community administration; how could the Moslems be guaranteed access to economic supply lines via the Adriatic Sea and River Sava in the north?

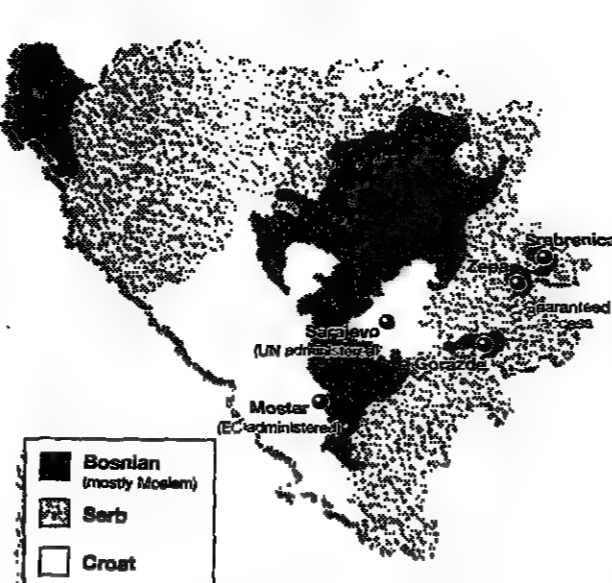
A senior American official in Washington commented: "That anyone could even think this map would be workable shows how desperate the situation is. This is really the end of the Moslems."

And yet, as the international mediators, Lord Owen for the EC, and Thorvald Stoltenberg for the UN, have repeatedly stressed, if the Moslems reject the plan today, they

Deadly delays as winter approaches

Is this the last chance for Bosnia's warring factions to reach an agreement, ask Gillian Tett and Laura Silber

Bosnia-Herzegovina: the proposed partition



A Bosnian woman at the graves of two of her grandchildren in Sarajevo. The children were killed by Serb artillery.

face intensified aggression. Mr Radovan Karadzic, the Bosnian Serb leader, has warned that a rejection by the Moslems would trigger an all-out assault by the Serb armed forces, who now control 70 per cent of Bosnia in an arc of territory in the north and east - almost all their military gains.

The Bosnian Croats, smarting from a series of recent Moslem victories in central Bosnia, seem even more ready to continue the fight. Some Moslem commanders believe that they could sustain further Croat assaults, and want to expand the land they have wrested back in the past four months.

But if the two options facing the Moslems seem to provide enough motivation for them to stall, either potential outcome of today's meeting threatens fresh diplomatic embarrassment for the west. The US and its European allies are still far from ready to police a partition. They remain even more divided about what course to pursue if the Moslems reject the agreement.

Earlier this week, Lord Owen admitted that without Nato backing, and a peacekeeping force larger

than any seen in the United Nations history, the agreement stood little chance of being signed, let alone implemented. How many peacekeeping troops would be needed is unclear. Mr Stoltenberg has suggested 40,000, in addition to the 10,000 on the ground in Bosnia. Most military experts believe this is an optimistic assessment.

However, given the UN's current financial crisis, and indecision at Nato's highest levels, finding even 40,000 troops would require considerable diplomatic effort. UN secretary-general, Mr Boutros Boutros Ghali, today indicated that it was unlikely that the UN could provide such a force. The British and French governments insist that the political will in Europe to deploy peacekeeping troops is still there. But, symptomatic of the foot-dragging, they say that without a settlement, they cannot give assurances about how many troops might be deployed, or when.

In practice, though, the main stumbling block to deployment is a lack of firm commitment from the US. America's unwillingness to deploy ground troops - while push-

ing for air strikes that might endanger the European ground troops already deployed - has rankled European leaders and fuelled transatlantic tensions.

Most European allies insist that the bulk of a peacekeeping force must come, at least initially, from the US. But though US administration officials say their earlier commitment to assist in implementing a peace agreement stands, they have avoided any specific discussion of the size or type of involvement.

But if a peace agreement poses a policing quandary for the west, the possibility that the Moslems will reject the plan poses almost insuperable uncertainties. After a year of stop-start negotiations, many western diplomats view the prospect of more peace talks in Geneva with dismay.

One British foreign official said this week: "We cannot start the negotiations from scratch again. If Lord Owen asked for more negotiations than we would support him, but we can't have the negotiations all over again."

One factor influencing diplomats may be the suspicion that the two

mediators are increasingly acting out on a limb - a view that grew this week after reports that they had not consulted European governments before suggesting that Mostar should be run by the EC.

But if the latest peace plan crumbles, the alternatives for the western allies - that they should either withdraw their humanitarian efforts from Bosnia completely or intervene with a large-scale military force to make the Serbs relinquish land - remain, European diplomats say, almost unthinkable.

The US has, in the past, embraced the idea of tougher action against the Serbs. However, calls for air strikes earlier this year were greeted with deep reluctance in Europe. So far, there is no sign that the British and French governments have changed their opposition.

A few lone voices can still be heard in Washington, demanding a lifting of the arms embargo against the Bosnians. But in spite of the deep moral distaste felt throughout Europe at the apparent abandonment of the Bosnian Moslems, the European allies have shown no sign of accepting either a lifting of the embargo, or a full-scale military intervention.

And though German officials - and the press - continue to grumble with frustration at British reservations about European action, the British and French governments have changed their opposition. A few lone voices can still be heard in Washington, demanding a lifting of the arms embargo against the Bosnians. But in spite of the deep moral distaste felt throughout Europe at the apparent abandonment of the Bosnian Moslems, the European allies have shown no sign of accepting either a lifting of the embargo, or a full-scale military intervention.

In the UK, the government has mainly confined itself to trumpeting the extent of its aid commitment to Bosnia. Although it has set up a high-level military command to control its operations in the region, military officials admit that its main task so far has been drawing up plans for emergency withdrawal of troops if the three warring factions turn their guns on the allies.

But as western dithering continues, winter is approaching. With aid agencies warning that the suffering this winter could be worse than anything so far in the 17-month conflict, the fear remains that if President Alija Izetbegovic, the Moslem leader, stalls, and fighting grows more ruthless, by next spring there may not be a Holiday Inn left standing in Sarajevo - or even a Bosnian leadership left to meet it.

Additional reporting by George Graham in Washington and John Ridding in Paris

US should go softly, softly on China



PERSONAL VIEW

President Bill Clinton has made a tough choice in imposing trade sanctions against China for apparent violations of international arms controls. Sanctions may have been an effective weapon against China in the past, but the emerging global realignments make their efficacy more questionable and the risks higher.

The US move - especially if followed by further sanctions directed against China's repressive internal regime - could drive the Chinese, and ultimately the members of the Commonwealth of Independent States, away from the west.

Until the breakup of the Soviet Union, China was regarded by the west as an important counterweight to Soviet power; it is now thought to have little strategic importance. But the west should recognise that China is almost guaranteed to become an economic superpower and that it could easily grow to dominate and influence the

economies of the CIS countries. The CIS countries are currently determining whether to seek long-term strategies of economic integration with the west or whether to turn inward. While the US is pouring billions of dollars into those countries in the hope of persuading them to integrate with the west and adopt democratic institutions, it is virtually ignoring the profound implications of the emerging Sino-CIS rapprochement.

The risk of the CIS turning away from the west is great despite its short-term dependence on aid.

When President Boris Yeltsin visited China last year he signed 24 agreements that he said gave the Chinese a headstart over the west in developing links with Russia. With \$800 in bilateral trade, China is the only country with a growing trade with Russia. Official border trade has exploded from less than \$100m in 1987 to \$2bn in 1992. The actual trade volume is substantially higher, as indicated by the more than 3,000 arrests along the frontier for smuggling offences last year.

There is an undeniable degree of

economic complementarity between China and the CIS, with China's consumer goods being traded for CIS raw materials and heavy industrial technology. What is more alarming is that many of the central Asian republics are adopting the "Chinese model" in which autocratic rule coexists with economic liberalisation.

It is the success of this autocratic

If the CIS develops along the same lines as China both could become isolated from the west

regime in countries like China, Taiwan and South Korea, that makes extracting internal political concessions so difficult, even though the cost could be losing most favoured nation status.

Many Asian business leaders believe that economic growth has priority over political freedom and that without the strong hand of gov-

ernment such growth may be doomed. They point to Taiwan and South Korea as examples of where patience with the authoritarian ways of government has led not only to a stronger economy but ultimately to increasing political freedom. And they cite Russia as an example of where pushing political freedom too quickly can make it impossible to achieve economic growth.

This is a point not lost with the governing elites in Moscow. Against this backdrop, any efforts by Mr Clinton to force China to make internal reforms are likely to have at best a cosmetic impact on freedom. For example, the Chinese may agree that no prison labour is to be used on products exported to the US. But that does not stop them from diverting prison labour for domestic uses and/or exports to other nations.

In the meantime, China does not stand still. Where possible it is diversifying its export base away from the west. Despite a rapid expansion of total trade, China is no more dependent on the US and European Community than it was

in 1989. Apart from the CIS it has dramatically expanded trade with former foe Japan and opened ties with another former foe, South Korea.

If, through protracted economic failure, the CIS develops along the same lines as China, and China continues to diversify its export base, then both could become gradually isolated from the west. At that point the US would no longer be so cavalier about its position towards China.

In order to hedge against this risk, US foreign policy must now draw China's economy further towards the west. If it is successful, then even if the CIS does go the way of China, it is still likely to be the US. But that does not stop them from diverting prison labour for domestic uses and/or exports to other nations.

In the meantime, China does not stand still. Where possible it is diversifying its export base away from the west. Despite a rapid expansion of total trade, China is no more dependent on the US and European Community than it was

William A Mundell

The author is president of the WEFA Group, an international economic consulting firm.

Hitting the target

■ The stuffer fans of *The Archers*, BBC Radio's rural soap opera, hate the realistic notes creeping into their beloved programmes. Only yesterday Baroness von Twickel wrote to The Times complaining that the sheer noise of recent programmes has nearly driven her to apostasy.

Her letter was triggered by this week's high point - the re-enactment of a real English Civil war battle 350 years ago. The Sealed Knot, one of the main real-life societies which mounts "living history" re-stagings of battles, sieges and occupations was even given a walk-on part.

But, here again, *The Archers* is not a patch on reality. A fortnight ago, in what was supposedly a peaceful re-staging of Royalist life in Shropshire, all hell broke loose when a female member of The Sealed Knot showed up (in male 17th century dress) at an event staged by the arch-rival English Civil War Society for English Heritage.

Flanked by their imposing pikemen, officials of the society barred her way into the castle, even though she had paid her entrance fee. After much cursing and swearing, during which the audience realised only gradually that the confrontation was for real,

she was forced to leave. Behind the confrontation lies not only the fact that the society considers itself far more purist than The Sealed Knot, from which it broke away some years ago, but that living history is becoming almost as big business for societies which mount such events in Britain as it already is in America.

Devotion

■ No Toll for union leaders. And no overtime either. No, they said, time off in lieu would simply not do. A conference to discuss the future of the unions at a luxurious hotel in leafy Surrey at the weekend?

So the brothers and sisters, loath to sacrifice their leisure time, will be holding this important pow-wow at the Shepperton Moat Hotel mid-week. They have obviously taken a leaf from the book of a colleague of Observer who will only meet for breakfast the person with whom he has spent the night.

Out-classed

■ Three years ago, Observer predicted that the new, twice-yearly Treasury Bulletin, the slim azure paperback of austere articles about monetary targeting and other economic arcana, would soon become a collector's item. Yesterday, the prediction came true. The Treasury confessed that

OBSERVER



'I notice the fathers weren't even around to be absent'

the latest volume was the last edition of a publication whose cover price has risen almost as fast as interest in its contents has dropped. When it comes to value for money, the Treasury has never been able to match the Bank of England quarterly bulletin.

For £7.50 the Treasury offers 66 pages, whereas the Bank provides 120 pages for the same price. A bigger problem, though, was content. Treasury economists dreaded being told to write for the publication, and their turgid style soon produced such disappointing circulation figures that even HMSO, the publisher, became concerned. When circulation dropped below

500, compared with the quarterly bulletin's 5,500 copies, the Treasury had little choice but to admit yet another mistake and scrap the venture.

Share beat

■ Prize for the most improbable reason for share price movements this week goes to Smith New Court. It reported that shares on Thailand's notoriously volatile Stock Exchange jumped on Wednesday following news that Michael Jackson was unable to perform a scheduled concert. SNC's explanation was that disappointed fans flocked back to trading rooms "to drown their despair in a round of active punting".

Pool tax

■ As any white South African will tell you, having your own swimming pool is more trouble than it's worth. Pool-owners spend hours fiddling with chemical testing kits, "backwashing" the filter system, and dumping in alternate amounts of chlorine and acid.

Now, as though life were not rough enough already, an official of the Cosatu union, the ANC's closest ally, has said a future government would tax swimming pools. One caller to a Johannesburg radio station yesterday said it was the last straw; he had decided to emigrate.

Given that a senior ANC official recently promised to confiscate half of every South African's assets as a sort of guilt tax for apartheid, it is probably not worth worrying about a pool tax. It will be far easier to fill in the wretched hole than persuade the exchange control authorities to let you send half your capital abroad.

Well wisher

■ Queens Moat Houses, the struggling hotels group, has just provided a splendid modern example of the ancient Roman principle of *memoria mori*. At yesterday's annual meeting of Queens Moat, in the resplendent surroundings of the New Connaught Rooms, shareholders were distracted by the sight of a balloon, presumably left over from the debauches of the night before, bobbing against the ornamental ceiling.

As the lately appointed managing director Andrew Coppel went through his address, the balloon descended gently to hover behind his head. The message printed on it? "Enjoy retirement."

Soft option

■ How many computer programmers does it take to change a lightbulb? It can't be done. It's a hardware problem.

June 1993

INTERNATIONAL COMPANIES AND FINANCE

Dutch paper group swings to F116m loss in first half

By Ronald van de Krol
in Amsterdam

KNP BT, the Dutch paper and packaging group created out of a big domestic merger earlier this year, swung into a net loss of F116m (\$8.2m) in the first half of 1993 from a pro forma net profit of F116m a year earlier.

The company said it would be taking an extraordinary charge of F130m to pay for projects aimed at boosting profits and integrating businesses previously owned by the three merger partners KNP, Buhrmann-Tetterode and VRG.

It blamed the downturn on a

decline in sales and on lower selling prices. Turmoil in European exchange rates was a contributing factor.

KNP BT warned in May that it had fallen into losses and that it would be making reorganisation provisions. Yesterday, the company - which is 17 per cent owned by the Canadian forestry group MacMillan Bloedel - repeated its forecast that it would be difficult to post a net profit before extraordinary items for the full year.

All four of the group's business sectors - paper merchanting, graphic systems, packaging and paper production - posted lower operating results in the first half, with graphic

systems and paper production showing small operating losses. Group sales were down nearly 10 per cent to F15.8bn.

The graphic systems sector was hit by a decline in sales in Europe as well as by the devaluations of the Spanish peseta and the Italian lira.

In paper production, industry-wide overcapacity put KNP BT's margins under pressure, in spite of a decline in raw material prices.

Part of the F130m charge will be used towards the divestment of four graphic distribution companies in Europe and Asia, in line with an agreement made with the EC's merger authorities.

Swedish construction groups rise sharply

By Christopher Brown-Humes
in Stockholm

SKANSKA and NCC, the two leading Swedish construction and real estate groups, yesterday reported sharply improved first-half figures. However, they relied on gains from divestments and the absence of write-downs to compensate for the continued deterioration in market conditions.

The companies predicted they would make a profit before property write-downs for the full year, although Skanska took the gloss off its forecast of a SKr2.2bn (\$272m) profit by saying it was set to make further "substantial" write-downs again this year.

Both groups made big losses in 1992 because of huge property write-downs.

Skanska saw first-half pre-tax profits rise to SKr1.38bn from SKr813m, while NCC returned a SKr304m profit, against a SKr7m loss for the same 1992 period. Skanska recorded capital gains from divestments of SKr285m and NCC gains of SKr476m.

The continuing downturn in the Swedish construction market was largely responsible for cutting Skanska's first-half revenues to SKr14.0bn from SKr15.2bn and for its prediction of a 12 per cent fall in full-year revenues to SKr28.2bn.

However, the group's operating profit before financial items rose to SKr1.58bn from SKr1.30bn, and its performance benefited further from a reduction in financial costs to SKr128m from SKr488m. Full-year financial expenses should be SKr1bn less than last year at around SKr700m.

The group said real estate markets in Sweden, Europe and the US remained weak. Reduced Swedish building activity also explained the drop in NCC's revenues to SKr8.6bn from SKr10.4bn. Profits in the group's main unit, NCC Bygg, fell to SKr286m from SKr378m. Excluding capital gains and losses from associated companies, the group made a SKr108m first-half loss, compared with a SKr218m profit.

RESULTS FROM EUROPEAN CARMAKERS REFLECT THE TURMOIL IN THE INDUSTRY
VW unlikely to break even this year

By David Waller in Frankfurt

VOLKSWAGEN is unlikely to meet its goal of break-even in the current year without the help of extraordinary income, Mr Ferdinand Piech, the chairman of the group's managing board, has told a German newspaper.

In the interview in today's edition of the Frankfurter Allgemeine Zeitung, Mr Ferdinand Piech added that there is a possibility that the group will omit a dividend on its ordinary shares in 1993. Last year's dividend was DM2 per share, cut from DM1 in 1991.

The Volkswagen senior management has for several

months confidently forecast the group would be back in the black by the year end.

The group lost DM1.6bn (\$940m) in the first six months of 1993, a DM2bn reversal from the profit of DM46m made in the first half of last year. Turnover for the half-year was DM38.4bn against DM43.7bn in the comparable period.

Volkswagen said the result represented a considerable reduction in losses in the second quarter. In the first quarter of the year the group lost DM1.25bn, losses for April to June were by comparison a modest DM350m.

The board said it was working hard to achieve the "turn-

ing point" in profitability in the second half.

The group made a small profit in July and Volkswagen said it would strive to achieve further monthly profits, but it stopped short of saying that the group would break even for the year as a whole.

A letter to shareholders praised Mr José Ignacio López de Arriortua, VW's purchasing chief who joined the German group from arch rival General Motors earlier this year, for his role in helping to reduce losses despite the disastrous economic environment.

Volkswagen said that worldwide production dropped 19 per cent to 1.5m vehicles in the six

month period, whilst deliveries to customers dropped 13 per cent to 1.6m units.

For the Volkswagen marque, deliveries to customers fell 11.1 per cent; deliveries of the luxury Audi marque dropped 27.3 per cent and SEAT by 22.7 per cent. The only marque to increase sales was the Czech-based Skoda division where unit sales rose by 23.1 per cent.

VW predicted that it would sell 3.2m vehicles for the year as a whole. Capital investments in the group for the six months fell by 38 per cent to DM2.68bn. The loss for the Volkswagen parent company in the first half was DM496m.

Dutch insurer ahead at halfway

By Ronald van de Krol

STRONG results in the US and the Netherlands helped lift net profit at Aegon, the second-largest Dutch insurance company, to F1497m (\$358m) in the first half of 1993, a 7.3 per cent rise on the same period of 1992.

Aegon did not give a geographic breakdown, but results in Europe outside the Nether-

lands did not meet expectations, largely due to setbacks on the British non-life market. However, turnover in Europe showed a small rise in spite of the negative effect of recent currency movements and the disposal of shares in a joint venture in Greece.

Group turnover rose by 10.6 per cent to F18.8bn. In the US, sales and operating profit showed a strong rise. Dutch

results were also good, despite heightened competition.

Aegon said it planned to raise its 1993 interim dividend to F1.15 in cash from F1.10 last year. For the first time, shareholders will have the option of receiving an interim payment in shares. The dividend payments will be worth 2 to 5 per cent less than the cash dividend but are generally more attractive for tax reasons.

Premium rise and lower claims boost GRE

By Richard Lapper in London

RISES in premium rates and a fall in claims on UK motor insurance and other policies helped Guardian Royal Exchange, the composite insurer, post pre-tax profits of \$65m (\$98.2m) in the first half of 1993, providing further evidence of the recovery in the general insurance sector.

The figures compared with a loss of \$39m at the same stage last year. After investment gains, which GRE included for the first time, in line with prospective European reporting requirements, pre-tax profits were \$307m, an improvement of \$29m.

The interim dividend was increased to 2.55p (2.5p). Lex, Page 14

Schindler lifted by Also's first-time contribution

By Ian Rodger in Zurich

SCHINDLER Holding, the world's second largest elevator manufacturer, said its operating revenues in the first half were up 4.3 per cent to SF2.2bn (\$1.48bn) due mainly to the inclusion for the first time of its Also computing trading subsidiary.

The group said operating profit in the full year was likely to be similar to last year's SF154.9m, in spite of continuing unfavourable market conditions.

Net income would be significantly higher because of financial earnings. Revenues from elevators and escalators were down 1.1 per cent to SF1.9bn, while rolling stock sales were flat at

SF137m. Also contributed

to the rise, a private banking unit of the CS Holding financial services group built around Credit Suisse, has reported more than doubled consolidated net income of SF92m in the first half.

Leu said all divisions contributed to the jump, with profits from trading soaring 89 per cent to SF98m. Commission income advanced 26 per cent to SF123m and net interest income rose 17 per cent to SF134m.

Expenses were up 7 per cent to SF182m, with the result that pre-tax profits advanced 60 per cent to SF170m. Leu said the number of borrowers in difficulty was still rising, so it raised its bad loan provisions by 30 per cent to SF136m.

Renault issues warning after profits plunge

By John Widdling in Paris

RENAULT, the state-controlled French car group, yesterday announced a fall of almost 90 per cent in first-half pre-tax profits and said that it saw no sign of an improvement in the depressed European vehicles industry.

The company said that pre-tax profits for the first six months of 1993 were FF7730m (\$123.93m) compared with FF544bn in the same period last year. Sales fell by about 8.4 per cent to FF67.1bn.

Car analysts said that Ren-

ault's results were slightly better than expected. "They represent a good performance in the context of the European market," said Mr Christopher Moore, car industry analyst at Morgan Stanley.

Renault said that its shareholdings in the Swedish car group Volvo had reduced its profits by about FF777m in the first half. But only FF39m of this negative contribution came in the second quarter and the first half figure as a whole was an improvement over the same period in 1992.

In the cars division, which represented about 83 per cent

of the group's commercial and industrial turnover, sales fell from FF79.7bn to FF72.1bn in the first half.

The figures were buoyed by the successful introduction of the Twingo small car, but the particularly steep decline in car sales in southern Europe, where Renault has a large presence, meant that the company's overall share of the European car market slipped from 10.4 per cent to 10.3 per cent.

In the industrial vehicles division, including buses and trucks, Renault increased its share of the European market from 9.3 per cent in the first

half of last year to 9.5 per cent this year. Sales in the division were fairly stable at FF71.2bn.

Renault said that the company planned to reduce production to respond to the continued weakness of demand in the car and industrial vehicles market.

The company added that it would also intensify its efforts to reduce costs and financial charges and increase productivity.

But it added that sales and profits "would suffer, despite these efforts, from the strongly negative impact of the economic environment".

Volvo back in the black despite fall in sales

By Hugh Carnegie in Stockholm

VOLVO, the Swedish vehicle manufacturer, yesterday confirmed market expectations by announcing a return to profit in the first half despite a further fall in its sales of cars and trucks.

A rebound to an operating profit of SKr186m (\$20.5m) from a loss of SKr585m last year pushed Volvo to a profit after financial items of SKr200m, compared to a deficit in the first half of 1992 of SKr103m.

The surprise result, which contrasted with expectations of losses up to SKr560m, sparked

a sharp rise in its shares on an otherwise weak Stockholm stock market. The most-traded A shares closed up SKr11 at SKr454.

Volvo said a change in the accounting of some tool costs had bolstered operating income by about SKr400m. The dramatic fall in the value of the Swedish krona compared to the first half of 1992 had also increased operating profits by about SKr200m. But it said that the turnaround was mainly driven by rationalisation measures, cost-cutting and lower research and development costs.

Two out of three Swedish car assembly plants are being shut

and the number of employees in the group has fallen to 56,400 - a drop of 14,000 since 1990.

Sales rose to SKr48.8bn from SKr41.4bn, but Volvo said there was a decline of 2 per cent when exchange rate changes were excluded.

The number of cars sold fell to 156,400 in the first half from 160,100 a year earlier, including a tumble of more than 20 per cent in Europe. Sales of medium-heavy and heavy trucks were bolstered by sharply higher demand in North America, but still fell by 3 per cent to 23,600.

However, although details

were not given, Volvo said both the truck and car groups reported operating profits, as did the Volvo Penta marine engine group and the aero engine group.

Volvo's share of Renault's income stemming from its cross-shareholdings in the French group fell sharply to SKr22m from SKr83m. But income from Procordis, the pharmaceuticals and food group, more than doubled to SKr149m.

Net interest expenses rose to SKr66m from SKr31m, but net debt was down slightly from the end of 1992 at SKr12.9bn and interest charges fell off in the second quarter.

NOTICE OF PAYMENT

GENERAL TRUSTCO OF CANADA INC.
CDN \$56,191,000 - 10 1/4% Series 2 Debentures
due March 23, 1993

Further to the approval, at the meeting held on July 6, 1993, of the proposal of compromise or arrangement made by General Trustco of Canada Inc., to the debentureholders, as described in the Notice of Meeting of the Holders of Series 2, Series 3 and Series 4 Debentures and Notice of Meeting of the Holders of Series 4 Debentures and Information Circular dated June 1993, notice is hereby given that a first payment of \$0.30 for each \$1.00 in principal held plus interest due or accrued up to March 23, 1993, will be made shortly to holders of Debentures. Consequently, the principal and interest payable to debentureholders is as follows:

Issue	Denomination	First payment in principal	Payment of interest
10 1/4% Series 2 Debentures	\$1,000	\$300	\$102.50

Holders of 10 1/4% Series 2 Debentures are requested to present their certificate(s) accompanied by the interest coupon dated March 23, 1993, at the offices of one of the following paying agents to have their certificate(s) stamped and to receive payment of the aforementioned amounts:

Banque Internationale
Banque Bruxelles Lambert S.A.
Luxembourg S.A.
Avenue Marais 24
2 Boulevard Royal, B.P.
2305 L-2953
Luxembourg

Swiss Volksbank
National Bank of Canada
Bakuhofstrasse 33
CH-8021
Zurich, Switzerland

Orion Royal Bank
71 Queen Victoria Street
London, England
EC4V 4DJ

Dated at Montreal on August 19, 1993.

MONTREAL TRUST COMPANY,
Trustee

CATHAY CLEMENTE (HOLDINGS) LIMITED

(An exempted company incorporated in the Cayman Islands with limited liability)

1993 INTERIM RESULTS (Unaudited)

FINANCIAL HIGHLIGHTS		30th June 1993
		HK\$
Net Asset Value		434,747,373
Net Asset Value per share		7.77
Loss per share		0.06
PROFIT AND LOSS ACCOUNT FOR THE HALF-YEAR ENDED 30TH JUNE 1993		
Income		HK\$
Interest income		5,115,904
Expenses		
Operating expenses		9,531,577
Net loss before taxation		4,415,673
Taxation		-
Loss for the period		1,115,474

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend.

DIRECTORS' INTERESTS

As at 30th June 1993, the following Director had a beneficial interest in the share capital of the Company:

	Number of shares held	Number of warrants held
Dr Ernest Lai	100,000	20,000

Saves for the above, none of the other Directors had interests, either beneficially or non-beneficially, in the share capital or warrants of the Company.

A copy of the interim report and any further information is available from the Assistant Secretary, Messrs. PricewaterhouseCoopers (Asia) Limited, 27th Floor, Alexander House, 16-20 Chester Road, Central, Hong Kong (Contact: (852) 847-9911).

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FUTUREPAGER

Prices are determined for every instrument in each market, and are subject to change without notice. To ensure that the market is as liquid as possible, the prices should be set at a level that is not too far from the current market price. The prices should be set at a level that is not too far from the current market price. The prices should be set at a level that is not too far from the current market price.

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INTERNATIONAL COMPANY NEWS

BASF dives 51% in second quarter

By Tony Jackson

PROFITS at BASF, the German chemicals group, fell by 51 per cent in the second quarter of this year to DM245m (\$142.4m). This matched the 50 per cent fall in the first quarter.

Mr Jürgen Strübe, chairman, said the third quarter should not show any further fall from the year before. However, he noted that last year's third quarter had been "very unsatisfactory".

The fall in profits came on a 6 per cent drop in sales to DM10.39m. Mr Strübe said business was still characterised by "low demand combined with a surplus of supply, resulting in unrelenting pressure on prices".

In the first half of the year, he said, BASF had been contin-

uously in loss at the operating level in plastics and fibres, and also in magnetic tapes.

Mr Strübe said "the principal cause of the drop in sales was the soft demand in Germany and other European countries". By contrast, some businesses in North and South America had done better than last year.

The magnetic tape business remained difficult, he said. Prices in the first half of the year were 10 per cent lower than last year, and the company had shut down production at sites in the US, France and Germany.

"We expect BASF Magnetics to make a loss again in 1993, but we are aiming to break even in 1994", he said.

In pharmaceuticals and agrochemicals, he said, business

has suffered significantly from state intervention. "I need only mention the German Health Care Reform Act and the EC agricultural policy reforms," he said.

The group's drug sales in Germany were down 13 per cent in the half-year, as the result of lower prices in former East Germany and lower volume in West Germany.

Mr Strübe said that by the end of 1993, BASF would have shed nearly 20,000 jobs since 1989, partly through divesting businesses. In 1994, he said, the group planned to shed more than 4,000 jobs, the majority in Germany.

"An increase in personnel costs in Germany is not acceptable in the next few years, as the revaluation of the D-Mark has further accentuated the

existing cost disadvantages in international competition," he declared.

In the first half, group sales were down 7 per cent from DM23.6bn to DM22.0bn. Group profit before tax was DM4.83bn, compared with DM9.72m. Sales of plastics and fibres were down 12 per cent at DM4.83bn, in dyestuffs down 5 per cent at DM3.75bn and in chemicals 5 per cent at DM2.73bn. Sales in agricultural products were down 13 per cent at DM2.47bn, and in oil and gas were up 4 per cent at DM2.31bn.

European sales were down 11 per cent at DM13.35bn. Sales in North America were up 3 per cent at DM4.29bn. Sales in Asia, Australia and Africa were down 8 per cent at DM2.03bn, and in Latin America up 9 per cent at DM1.17bn.

Cathay air returns hurt Swire Pacific

By Simon Davies in Hong Kong

SWIRE PACIFIC, the Hong Kong-based property, aviation and trading group, reports a 17 per cent decline in first-half profit, primarily because of the sharply reduced contribution from 51 per cent-owned airline Cathay Pacific.

The group posted profit attributable to shareholders of HK\$1.8bn (US\$232.5m) for the six months ended June, down from HK\$2.18bn in 1992.

The dividend is being held at 29 cents per A share and 5.8 cents per B share.

Last year's interim profits were boosted by the sale of an office tower to Hong Kong Telecom, which contributed HK\$30m profit.

However, Swire will book profits from the sale of its stake in the Lee Gardens Hotel and from sales of residential units in Robinson Place during the second half of 1993.

Mr Peter Stutch, chairman, said: "The outlook for the aviation industry continues to be uncertain." But he predicted a stronger performance for the remainder of the group's business.

Swire continues to expand its property investment portfolio, following the recent HK\$2.55bn site purchase with Citic Pacific. Net rental income from the existing portfolio - primarily Pacific Place and City Plaza - increased by 29 per cent to HK\$1.03bn in the half-year.

Property development earnings will be strong up to 1996, due to further contributions from Robinson Place, and from the joint venture redevelopment of the former China Motor Bus depot.

The industrial division reported first-half growth, primarily due to strong performance from soft drinks bottling in the US and Hong Kong, and from Swire Technologies. But the trading division recorded a decline in earnings.

● Hongkong and Shanghai Hotels, the Kadoorie family company which owns the Peninsula hotel group, posted a 12 per cent increase in net profit for the first half of 1993 to HK\$178m.

NEC cuts year's pre-tax profits forecast to Y30bn

By Michio Nakamoto in Tokyo

NEC, the electronics group, has downgraded forecasts for pre-tax profits this year, cutting its estimate for the year ending next March to Y30bn (\$238m) from Y50bn.

NEC said the main cause was the prolonged weakness of the Japanese economy. The expected recovery in demand for personal computers had not materialised, and the slump in business activity had kept demand for communications equipment weak.

Although semiconductor sales were seeing buoyant demand from the US and Asia, NEC was not experiencing the kind of growth in the Japanese semiconductor market that it had expected.

The high value of the yen was also a factor behind the downward revision. NEC was not, however, as badly affected by the yen as some other exporting companies since it was dependent on only about 18 per cent of total sales on overseas markets.

Sales in the year ending March are forecast at Y2,960bn compared with the previous

forecast of Y3,030. Net income is forecast to be Y16bn rather than Y23bn expected earlier.

On a consolidated basis, sales are expected to be Y3,800bn compared with a previous forecast of Y3,700bn, but consolidated pre-tax profits and net income estimates are unchanged at Y40bn and Y10bn respectively, largely as a result of strong demand for semiconductors in overseas markets and cost-cutting measures by the company.

It is of "paramount importance" that the company make a profit this year, an NEC spokesman said.

The company is implementing wide-ranging cost-cutting measures in an effort to avoid making a second consecutive loss.

One area where the company is changing ahead, however, is the overseas semiconductor business. NEC has revised its capital spending forecast for the year for semiconductor operations on the strength of buoyant demand for memory chips in the US and Asia. It will increase capital spending by about Y10bn to Y80bn, the company said.

Recovery at National Bank of Canada

By Robert Gibbens in Montreal

NATIONAL Bank of Canada reports a strong recovery for the third quarter and nine months following a good performance by its stockholding offshoot, tight control of costs and lower loan loss provisions.

For the three months ended July, the bank made a net profit of C\$47.3m (US\$36.90), or 27 cents a share. This compares with a loss of C\$17.5m, or C\$1 a share, a year earlier. Second-quarter net profit amounted to C\$40m, or 23 cents a share.

Third-quarter provisions were much lower at C\$75m, down from C\$358m a year earlier when the bank wrote off key bad loans.

Its return on average assets was 0.48 per cent, against a negative 1.16 per cent.

Profit for the nine months totalled C\$132.4m, or 78 cents a share, against a loss of C\$37.9m or 52 cents a year earlier.

Return on average assets was 0.46 per cent against a negative 0.13 per cent.

Total assets at end-July were C\$39bn.

Net interest margins widened by 5 per cent because of a reduction in non-performing loans.

A C\$1.4m gain on the sale of Brazil bonds was offset by securities trading losses and provisions.

Most of the 14 per cent gain in other income came from the brokerage unit.

● A poor performance for Canadian newspapers plus negative currency factors pulled first-half profits sharply lower at Hollinger, the Canadian holding company headed by Mr Conrad Black.

Despite continuing strength at the Daily Telegraph newspaper in the UK, the company's net profit was C\$24.8m, or 36 cents a share, for the first half of 1993, down from C\$54.1m, or 87 cents, a year earlier.

Revenues dipped slightly to C\$435.5m.

Mr Black said operating profit was C\$45.5m, against C\$40.7m.

The steeper decline in after-tax earnings was due to smaller capital gains and the weakness of sterling.

Bayer predicts 20% decline in earnings

By Christopher Parkes in Frankfurt

BAYER, the German-based chemicals group, expects earnings to drop 20 per cent to around DM2bn (\$1.1bn) this year, following a similar decline in the first half, and despite expected cost savings of almost DM1bn.

There is no prospect of an economic recovery in Europe, sources of 82 per cent of sales, and the favourable effects of current US dollar and yen exchange rates will not compensate for adverse shifts in European currencies, the company said yesterday.

Pre-tax earnings fell DM244m

to DM1.4bn on sales down 5 per cent at DM21bn in the first half, according to an interim report. The effects of an 11 per cent drop in European turnover were partly alleviated by a 4 per cent improvement in North America and 10 per cent elsewhere.

Sales in the healthcare divisions, the group's main protection against recession, were stable at DM4.6bn, while all other sectors showed declines. Polymers and industrial products were worst hit, with sales down 10 per cent.

Healthcare performed relatively well, despite prescription limits and other medical service reforms in Germany, and

due in part to growth in self-medication products.

Turnover at Bayer AG, the German parent, fell 12 per cent to DM5.6bn, mainly because of lower volumes.

In agrochemicals, where sales were down 2.6 per cent, turnover improved in the second quarter after a 9 per cent drop in the first three months of the year.

The results, towards the top end of analysts' expectations, followed a 16 per cent drop in pre-tax profits from DM3.2bn to DM2.7m for the whole of 1992, which led to the first cut in the group's dividend in a decade.

Last year's payout was cut DM2 to DM11, although the

group made no mention of 1993 prospects in yesterday's interim report.

Workforce reductions and other rationalisation measures appear to have been accelerated. The group said costs were reduced by around DM500m in the first half, and further savings of several hundred million D-Marks were expected in the remainder of the year.

In the period under review the group shed 2,700 employees, out of the 3,000 planned to go in the full year. Personnel expenses excluding pensions fell as a result - by 4 per cent to DM6.5bn in the group and by 8 per cent to DM2.7m at the parent.

Arnotts lifts payout in spite of second-half loss

By Bruce Jacques in Sydney

ARNOTTS, the Australian biscuit company, has raised its annual dividend despite dipping into the red in the second half following heavy asset write-downs.

Reporting yesterday for the first time as part of the Campbell Soup, the US food company, Arnotts announced an 18 per cent net profit rise to A\$47.5m (US\$31.8m) for the year ended June on a 4 per cent sales slide to A\$682.1m.

The company made a loss of A\$6.6m in the second half of the year compared with a

profit of A\$17.2m last time. However, the annual dividend is going up from 23.5 cents a share to 25 cents.

The year's result included abnormal losses of A\$32.5m (A\$18.7m loss previously), mainly reflecting a A\$47.9m assets write-down.

Mr Paul Bourke, managing director, said the company had now completed most of its programme to divest non-core activities and focus on biscuit making.

"We are now in great shape to concentrate on our three key strategies for the remainder of the 1990s," he said.

Swedbank seeks to avoid calling for state support

By Christopher Brown-Humes in Stockholm

SWEDBANK, the newly-merged Swedish savings bank group, yesterday reported a sharp contraction in first-half losses and said it was working on a plan that would avoid it having to call on government support.

The bank did not disclose details of its proposals, and said further information would not be available until the middle of November at the earliest.

Last week's Skandinaviska Enskilda Banken, Sweden's

leading commercial bank, withdrew its request for state aid.

Swedbank said its first-half operating deficit fell to SKr1.58bn (\$197m) from SKr5.82bn.

This followed an increase in operating income before loan losses to SKr4.20bn from SKr3.38bn plus reduced credit losses of SKr5.80bn against SKr9.25bn.

The bank said a 15 per cent reduction in costs helped explain its improved result.

The bank's capital adequacy ratio has weakened to 8.8 per cent from 9.3 per cent at the end of last year.

REPUBLIC OF POLAND
MINISTRY OF PRIVATISATION
INVITATION TO NEGOTIATE

The Minister of Privatisation, acting on behalf of the State Treasury, in accordance with Article 23 of the Act on Privatisation of State-Owned Enterprises of 13th July 1990 (The Privatisation Act), is issuing an Invitation to Negotiate to all qualified parties interested in the purchase of no less than 10% of the shares in:

FABRYKA KUCHNI "WRONKI"
(former "WRONKI")

The Company is the largest Polish producer and exporter to the EEC of free-standing cookers (ranges).

The Company is located in the city of Wronki, approximately 60 km north-west of Poznan.

In accordance with Article 24 of The Privatisation Act, up to 20% of the shares of the Company will be offered to the employees on a preferential basis.

The Ministry of Privatisation reserves the right to reject submitted offers, or to modify the privatisation procedures, should this be in the interest of the Ministry or the Company.

Procedure

Interested parties should register their interest in the above matter by contacting:

BUSINESS ANALYSTS AND ADVISERS LTD
00-450 Warsaw Attn: Mr. Maciej Urban
Ul. Zmowa 22 Mr. Maciej Karla
tel: (48 22) 21 41 67 fax: (48 22) 628 56 35
(48 22) 628 45 96

Information Memorandum on the Company will be sent after signing a letter of confidentiality.

BANCO di NAPOLI
Joint-stock company
Registered office in Naples - Via Toledo, 177
Company capital is 1,083,482,000.000
and Reserves is 3,433,642,018.774
Registered at the Court of Naples, registration no. 4180/91
Registered at C.C.I.A.A. in Naples at no. 457026
Tax Code and VAT Number 0638589033

NOTICE OF EXTRAORDINARY MEETING OF SHAREHOLDERS

Shareholders are convened for an Extraordinary Meeting at the registered office in Naples, Via Toledo, 177, on 21 September, 1993 at 12:30pm and, if necessary, on 22 September, 1993, for a second meeting, at the same time and place, to discuss and resolve the following:

Agenda

- Amendment of articles 1,2,3,7,11,12,23,25 and 28 of the Company By-Laws and suppression of the transitory regulation by these by-laws.
The right to attend the Meeting is governed by statutory regulations and by the provisions of the laws in force.

The right to attend the Meeting is given to shareholders who own the company's ordinary shares and who, at least five days before the established day of the meeting, have deposited these shares with the registered office, with Banco di Napoli branches in Italy or with one of the following duly-authorized banks:

Banca di Roma - Banca Nazionale del Lavoro - Banca Commerciale Italiana - Monte dei Paschi di Siena - Istituto Bancario San Paolo di Torino - Credito Italiano - Banco di Sicilia - Banco di Sardegna - Monte Titoli S.p.A. (for the shares managed by it).

The explanatory report will be available to shareholders at the registered office according to law.

In accordance with art. 2 par. 4 of the relative regulation, the exercise of the right of the conversion of Banco di Napoli 92/95 warrants is suspended from 27 July until the day after the end of the Meeting.

Naples, 27 July, 1993

On behalf of the Board of Directors
The Chairman Luigi Coccioli

HUNGARIAN STATE PROPERTY AGENCY
INVITATION TO TENDER

Banque Indosuez Hungary (Adviser) by virtue of the mandate given by the State Property Agency (SPA) announces an open one-round tender for the purchase of the shares in state ownership of

PAPA MEAT PROCESSING COMPANY LTD.

The company is legal processor of the Papa Meat Combinat which has transformed into a company limited by shares on 30th September 1992. The equity is HUF 900,000,000, the capital reserve is HUF 694,912,000. Simultaneously with the privatisation, non-voting employee shares of total value HUF 100,000,000 shall be issued, which in 90% shall be financed from capital reserves.

The following stakes are object of the tender:

a. 45,001 pieces ordinary shares of face value HUF 10,000 each, representing (before the issue of employee shares) 50%+1 share. Hungarian and foreign investors may bid. The purchase price may be paid by any legal means of payment (cash, E-credit, compensation coupons, etc.).

b. 22,501 pieces of ordinary shares of face value HUF 10,000 each, representing (before the issue of employee shares) 25%+1 share. Hungarian producers may bid. The purchase price may be paid only with compensation coupon.

The detailed conditions are prescribed in Tender Documentation.

Officially signed tenders shall be submitted personally or by proxy in 3 copies in Hungarian, in a sealed envelope bearing no company name or logo. The bidder shall be required to mark the original copy in Hungarian language with the word "ORIGINAL" and with the reference of the tender. Foreign bidders may submit tenders in Hungarian and in English, however, the Hungarian version shall be decisive.

The deadline for submitting the tenders: 8th October 1993, 12.00 hours.

Venue: Banque Indosuez Hungary Ltd
Budapest 1088
Rákóczi út 1-3, 4th floor
Ms Zsuzsa Földi

The bidders are required to declare that the offer is valid for 60 calendar days.

Only those bidders may submit tender who buy the Tender documentation and Information Memorandum. When bidding for the stake described in 'a' HUF 20 million shall be deposited in cash. When bidding for the stake described in 'b' HUF 3 million shall be deposited in compensation coupons, revalued by the legal rate of interest accrued.

The tenders will be opened at 8th October 1993, 13.00 hours, the evaluation shall be forwarded till 31st October 1993.

The Tender Documentation containing the detailed conditions and procedures of bidding and Information Memorandum can be obtained in Hungarian and English language in the offices of Adviser, BANQUE INDOSUEZ HUNGARY LTD, against the official signing of the Declaration of Confidentiality and the payment of HUF 10,000+VAT. (Budapest, Rákóczi út 1-3, 4th floor).

Further information on bidding is available from:

Papa Meat Processing Company Banque Indosuez Hungary Ltd
Mr. Tibor Nagy Economic Director Ms Klara Honos, Ms Zsuzsa Földi
Tel: 06-89-313-385 Fax: 06-89-324-643 Tel: 266-54-56, 266-80-80 Fax: 266-52-31

COMPANY NOTICES

GenGold Group

Buffelsfontein Gold Mining Company Limited
(Reg No 205339/406)
(“Buffelsfontein”)
Incorporated in the Republic of South Africa

Notice of last day to register as an ordinary shareholder of Buffelsfontein in order to receive new Beatrix Mines Limited (“Beatrix”) ordinary shares

UAL Merchant Bank Limited is authorised to announce that, further to the announcement of 4 August 1993, the last day to register as an ordinary shareholder of Buffelsfontein in order to participate in the transaction varying the rights attached to the Buffelsfontein cumulative preference shares and, in consequence thereof, to receive 81-818 new Beatrix ordinary shares for every 100 Buffelsfontein ordinary shares (“the transaction”), will be Friday, 10 September 1993.

A further announcement will be published in due course reporting on the fulfilment of the conditions precedent referred to in the announcement of 4 August 1993.

Notice of closing of register of ordinary shareholders

Notice is hereby given that both the South African and the United Kingdom sections of the register of ordinary shareholders of Buffelsfontein will be closed from the close of business on Friday, 10 September 1993, until the commencement of business on Monday, 20 September 1993, for the purpose of determining those Buffelsfontein ordinary shareholders entitled to participate in the transaction, and to receive the new Beatrix ordinary shares.

Johannesburg
27 August 1993

WOOLWICH BUILDING SOCIETY

£275,000,000
Floating Rate Loan
Notes Due 1995 (“The Notes”)

(Comprising £200,000,000 Floating Rate Loan Notes due 1995 issued in November 1993 (the “Original Loan Notes”) and a further £75,000,000 Floating Rate Loan Notes due 1995 issued on 26 June 1993 consolidated and forming a single series (hereinafter, “the Notes”).

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 26th August 1993 to (but excluding) 26th November 1993 the Notes will carry an interest rate of 6 per cent per annum. The relevant interest payment date will be 26th November 1993. The coupon amount per £10,000 will be £151.25 payable against surrender of Coupon No. 31.

Flambers Bank Limited
Agent Bank

Notice of Redemption
EUROMOL B.V.
U.S.\$30,000,000
Guaranteed Floating/Fixed Rate Notes due 2000

Notice is hereby given that, in accordance with Condition 5(c) of the Notes, the Issuer intends to redeem the Notes at their principal amount on 20th September, 1993.

Sakura Trust International Limited
Fiscal Agent

27th August, 1993

Notice of Early Redemption
U.S. \$100,000,000

KEMIRA OY

Floating Rate Notes due 1995

Notice is hereby given that in accordance with Condition 5(b) of the Notes, Kemira Oy (the Issuer) will redeem all Notes at par on the next interest payment date September 30, 1993 (the “redemption date”) when interest will cease to accrue.

Repayment of Principal will be made upon presentation of the Notes at the offices of any of the Paying Agents listed below, together with all unremitted coupons. Unremitted coupons relating to such Notes (whether or not attached) shall become void and no payment shall be made in respect thereof.

Notes and Coupons will become void unless presented for payment within a period of 10 and 5 years respectively from the redemption date.

PRINCIPAL PAYING AGENT
The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street
London EC2P 2HD

PAYING AGENTS

Chase Manhattan Bank
Luxembourg, S.A.
5 Rue Paeis
L-2336 Luxembourg Grand

Credit Lyonnais Belgium
17 Avenue Marx
1050 Brussels

By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent

August 27, 1993

Lloyds Eurofinance N.V.
(Incorporated in the Netherlands with limited liability)

£200,000,000
Guaranteed Floating Rate
Notes Due 1995

For the three months August 26, 1993, to November 26, 1993, the Notes will carry an interest rate of 8% p.a. with a coupon amount of £16.00 in respect of £20,000 nominal of the Notes and £374.68, in respect of £20,000 nominal of the Notes payable on November 26, 1993.

Chatham, N.A. (Lombard Street) London, Agent Bank

Halifax Building Society

\$100,000,000
Collared floating rate
notes due 2003

Notice is hereby given that the notes will bear interest at 7% per annum from 25 August 1993 to 25 February 1994. Interest payable on 25 February 1994 will amount to \$352.88 per \$10,000 note and \$3,528.77 per \$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

BRADFORD & BENEY

\$100,000,000
Floating rate notes 1996

Notice is hereby given that the notes will bear interest at 6.025% per annum from 25 August 1993 to 25 November 1993. Interest payable on 25 November 1993 will amount to \$151.86 per \$10,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

Slough Estates drops to £29m

By Vanessa Houlder,
Property Correspondent

SLOUGH ESTATES, the UK's largest industrial property company, yesterday announced a 14.5 per cent fall in pre-tax profits to £29.5m for the six months ended June 30.

Sir Nigel Mobbs, chairman, was cautiously optimistic about the group's prospects, saying that there had been a "significant" increase in inquiries for space.

"As economic recovery becomes more evident and business confidence returns, so I become more optimistic of the medium-term prospects of the group for both improved property occupancy and values," he said.

The profit decline mainly reflected a reduction in the amount of interest capitalised. Profit before interest and tax rose 18 per cent to £57.2m.

FRS 3, the new accounting

standard on reporting financial performance, required Slough to recognise £2m of profit from investment property sales.

The standard defines profits on disposal of investment properties in the profit and loss account as the difference between the net proceeds of the sale and the prior year-end book value.

At June 30, the group had net borrowings of £68m and shareholders' equity, based on December 1992 valuations, of about £1.07bn. Net gearing was 62 per cent, compared with 83 per cent at end-1992. The £1.47m rights issue in March was 87 per cent taken up.

Earnings per share fell from 6.5p to 4.4p. The interim dividend is unchanged at 3.1p.

COMMENT

Slough Estate's share price, which closed up at 241p, has nearly tripled in value over the past year, reflecting a sea



Sir Nigel Mobbs: significant increase in inquiries for space

change in sentiment towards the sector. A year ago, Slough was cutting its dividend and worrying about the dim prospects for any short-term improvement in the property market. Yesterday, it was

pointing to a sustained improvement in business confidence and a significant increase in inquiries for space, making it sufficiently optimistic to plan a new speculative development on its Slough trading estate. Nonetheless, anyone looking for hard evidence of an improvement in the underlying property market in yesterday's results would be disappointed. In the UK, occupancy rates actually fell as success in letting new buildings was offset by tenant failures and lease expiries. The likelihood of slow, if steady, progress on the letting front will restrict Slough's scope to increase its dividend for several years. That leaves potential investors with a solid, but unexciting, prospect of a near-average yield for the sector and a share price that is at a slight discount to the company's likely year-end net asset value.

Expanding Wolseley in £51m US buy

By David Blackwell

WOLSELEY, the heating and plumbing distributor, has turned its sights back to the US after several continental European acquisitions.

It is paying up to £51.5m for Erb Lumber, a distributor of lumber and associated products with 47 leased branches in Michigan, Indiana and Ohio.

With Wolseley raising more than £100m through share placings with a wide range of institutions yesterday, further acquisitions are expected soon. The group is financing the Erb acquisition through a vendor placing of 8.1m new ordinary shares at 63p each. The shares closed yesterday unchanged at 65p.

At the same time Wolseley placed another 8.7m shares raising a further £55m. The 16.8m shares represent about 8.8 per cent of the equity. The placings were separated to comply with Stock Exchange requirements.

Mr Richard Ireland, finance director, said yesterday that it seemed sensible to make a cash placing at the same time as the Erb placing as discussions were under way on further possible purchases. He declined, however, to give any details.

Erb Lumber, an 80 year old company, returned pre-tax profits of £12.1m (£8m) last year on turnover of £271.3m.

Wolseley said the acquisition would substantially boost its US lumber business and more than double annual sales of Carolina Builders Corporation of Raleigh, North Carolina, a wholly owned subsidiary. Total US turnover for Wolseley last year was £99.7m.

The group will pay £48.3m, about 80 per cent of the total price, on completion. The balance will be paid in two further instalments based on Erb's net asset value on August 31.

In March, Wolseley reported a 41 per cent increase in pre-tax profits of £47.8m for the six months to end-January on turnover of £1.1bn.

Analysts are looking for a full-year outcome of £110m or more when the results appear in October.

Two Hodder directors resign

By David Blackwell

Two directors of Hodder Headline, the independent publishing company, resigned yesterday. Mr Patrick Wright and Mr Tom Biggs-Davison were leaving by mutual agreement, said Mr Tim Hely Hutchinson, chief executive of the group which was formed in June when its Headline company took over Hodder & Stoughton.

Mr Brian Steven, managing director of the education division, and Mr Richard Silleman, managing director of Edward Arnold (Academic and Professional Division), will be appointed directors from September 1.

Mr Hely Hutchinson said the board changes contributed to the group's overhead reduction programme and clarified the management structure. Earlier this month Hodder made 72 staff redundant following the merger. Further redundancies will follow when Hodder's distribution centre near Sevenoaks is closed.

Rentokil dispels growth concern with rise to £67m

By Richard Gourlay

RENTOKIL, the environmental and property services company that recently bought Securiguard for £75.7m after a hostile takeover battle, yesterday went a long way towards dispelling concern that growth in its existing businesses was running out of steam.

The group reported a 30 per cent rise in pre-tax profits to £87.1m for the six months to end-June on sales up 20 per cent at £252.4m, and a near-30 per cent increase in earnings per share to 4.39p.

The interim dividend is increased by 31 per cent to 0.84p.

"We are pleased that the UK, North America and Asia have performed well against a background of difficulties in continental Europe," said Mr Clive

Thompson, chief executive.

Rentokil's bid for Securiguard, which has cleaning and pest control businesses as well as the manned property guarding business, alarmed some analysts who believed the group was diversifying into low margin businesses and that the limits of organic growth were being reached in the existing businesses.

Mr Thompson said the types of businesses the group had acquired were low margin for some people but not for Rentokil who could charge people who wanted a quality product.

The group pushed up margins in the UK, where an 8 per cent increase in sales to £93.3m produced profits up nearly 20 per cent at £26.8m.

Healthcare, pest control and hygiene showed steady growth

and tropical plants had grown very quickly. Property care, hit by the slowdown in the rate at which people have been moving house, had also showed some benefit from the improvements in the improving economy.

Continental European sales rose by 25 per cent to £77.2m with profits up 32 per cent to £18.8m. France, Switzerland and Sweden had grown strongly while there had been some slowdown in Belgium and Germany.

Profits in North America rose 50 per cent to £5.2m on sales up a third at £29.2m, while Asia Pacific and Africa increased turnover by 30 per cent to £52.7m and profits by 44 per cent to £14.2m.

Net cash at the end of the period was £73.3m.

See Lex

IN BRIEF

BARDON GROUP has received acceptances totalling 172m ordinary shares (90.96 per cent) of its recent rights issue.

BRITTON GROUP has received acceptances in respect of 129m new ordinary shares, representing 97.72 per cent of the total number offered. Subscribers have been procured for the remaining shares at a premium and the proceeds will be distributed to qualifying shareholders.

BURLINGTON GROUP reported profits before tax of £54,000, against £54,000, for the half year to June 30. Earnings per share improved from 0.25p to 0.38p. Net asset value was 18.75p, up from 18.13p at the December year-end and 17.53p at the end of June 1992.

EXPLORA Holdings: Credit Suisse has acquired 5m ordinary A shares (6.13 per cent).

GREENACRE GROUP has bought the assets and business of Clare Hall Nursing Home in Ston Easton, Bath, for £2.12m cash. Clare Hall is registered for 65 elderly general medical patients, and for the year ended March 31 made profits of £402,000 before interest and tax. Greenacre now has 12 homes and 375 beds under operation or development.

HEADLAM GROUP has received acceptances in respect of 4.51m (96.8 per cent) of its rights issue. The balance has been placed in the market at a premium.

HELICAL BAR has received acceptances in respect of 26.2m new convertible preference shares, representing 90.85 per cent of its recent rights issue.

OCEONICS GROUP: some 1.08m convertible preference shares were applied for under the open offer which closed yesterday, representing 23.4 per cent. Therefore, the total take-up of shares was 4.4m (96 per cent).

PRIMADONA: Net asset value 341p (181p) per share at June 30. Net revenue for 12 months was £173,927 (£230,368) for earnings of 3.9p (5.1p) per share. Proposed final dividend held at 2.5p for maintained total of 4.5p.

TR HIGH Income Trust reported a net asset value of 120.9p per share at June 30, against 110p at the December year-end and 101.1p at end-June 1992. Net revenue for the six months amounted to £902,000, up from £683,000, for earnings of 3.15p (2.66p) per share. Dividends of 1.8p have already been paid for the current year and directors intend to maintain the total at 6p.

Exceptional redundancy costs leave Weir down 10% at £16.7m

By Roland Rued

WEIR GROUP, the engineering company with about 60 per cent of its sales overseas, reported a 10 per cent fall in pre-tax profits for the half year to July 2.

The decline from £18.5m to £16.7m was after an exceptional item of £3.43m covering redundancy and reorganisation costs.

Operating profit rose to £14.8m (£14.8m).

All but £100,000 of the exceptional charge related to severance pay for the loss of 200 employees, reducing the workforce to 6,700. The scale of the job cuts surprised analysts.

The group said there were unlikely to be further reductions in the second half.

Turnover rose to £223.5m (£194.8m). Earnings fell to 7.4p

(8.2p). The interim dividend is raised to 1.925p (1.75p).

Lord Weir, chairman, said the company had a flat half, but was confident that orders would pick up in the UK.

The level of inquiries remained encouraging, although a fall in spare part orders and bookings would affect the second half.

The outlook on the Continent was worse than expected. "The cut in prices has more than swallowed up our export volume advantage since the UK left the European Exchange Rate Mechanism last year."

The period ended with £87m net cash, against £53m at the end of 1992.

Lord Weir said he was pleased with the recent acquisition of Darchem, and the group was looking at further acquisitions.

COMMENT

For a company as predictable as Weir, its announcement of a £3.4m redundancy and reorganisation charge took the market by surprise. But the lay-off of 200 employees appears to have more to do with productivity gains than a serious downturn in the group's markets.

The built-in strength of long-term contracts has enabled the group to largely buck the recession which has affected many of its competitors. The profit fall is disappointing, but was mainly because of the exceptional charge. It would also be unfair to forget that last year's performance was particularly good even by Weir's standards. With forecast annual pre-tax profits of £27.5m the shares - down 30p to 318p - are fairly priced on a prospective multiple of 19.

Hambro Country back in black

By Vanessa Houlder,
Property Correspondent

A PICK-UP in activity in the housing market restored the profitability of Hambro Countrywide, the estate agent and financial services chain, which yesterday announced pre-tax profits of £13.2m for the half year ended June 30, compared with an adjusted loss of £3.87m for the same period in 1992.

The return to profitability was accompanied by the restoration of an interim dividend of 0.5p.

The turnaround in the company's fortunes was attributed to the improvement in the housing market, particularly in the first four months of the year.

together with a higher market share by its estate agency chain and an improved contribution from Wright Oliphant and the Hambro Countrywide Relocation's asset management activities.

The results included a gain of £11.1m from the sale of its remaining stake in Hambro Legal Protection to Hambro Insurance Service Group.

At the end of June, the group had 482 estate agency offices, which sold 23,283 houses in the first six months, a 17 per cent increase over last year. The average price of houses sold fell by 5.9 per cent to £81,780.

The estate agency base financial consultants arranged 8,083 mortgages worth £364m

and 9,458 life assurance policies.

Hambro said it was keen to expand its network of estate agencies, which it believed could be profitable in its own right and an effective distribution channel for financial services.

It said it expected the Treasury's recent decision about the disclosure of commissions and other charges in the life assurance industry to be neutral on Hambro Guardian's competitive position.

Earnings per share were 3.77p, compared to adjusted losses per share of 1.29p in 1992. The interim dividend compared with a total payment of 0.05p last year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Comes - pending dividend	Total for year	Total last year
Bostrom	1.5	Dec 3	2.5	-	8
Cattle's	2.9	Oct 28	1.8	-	4.7
Church	3	Oct 22	3	-	12.5
EFT	0.46	Oct 29	0.4	-	1.3
Gibbs and Dandy	1	Oct 1	nil	-	7
GRS	2.65	Jan 4	2.5	-	0.05
Hambro Country	0.5	Oct 28	nil	-	7
Life Sciences	1.4	Oct 29	1.2	-	3.55
Mallet	0.5	Oct 14	0	-	2
McAlpine (A)	2	Oct 18	3	-	8.5
Merlin Green Inv	1.7	Sept 30	1	-	2.1
Murray Income	4.15	Oct 27	4	10.9	10.6
Pegasus	2	Oct 29	3.5	-	9
Pentland	1.18	Nov 1	1.04	-	2.5
Primadona	2.5	Oct 5	2.5	4.5	4.5
Rentokil	0.84	Nov 8	0.54	-	2.31
Slough Estates	3.11	Oct 14	3.1	-	8.1
Weir	1.925	Nov 12	1.75	-	5.9

Dividends shown pence per share net except where otherwise stated. £USM stock. *For part of 17 months period. *Irish currency. *Excludes 12p special.

BOARD MEETINGS

The following companies have notified dates of board meetings. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's financials.					
TODAY					
Interline - Clonshan, Courts Consulting, Lac Rethamston, London Finance & Investment, Shore					
Prudential - Merrett City & Resources Fund Survey, West Trust					
FUTURE DATES					
Interline - Blue Circle	Sep 9	Industrial Control Serv	Sep 7		
Burford	Sep 1	Scottish Asian Inv	Oct 11		

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Pegasus soars to £1m halfway

PEGASUS Group, the USM-quoted producer and distributor of accounting software, trebled pre-tax profits in the first half of 1993 to £1.02m.

For the 1992 period to July 31 the figure was £335,000.

Revenue was boosted by the introduction of Version 8 of the mainstream Pegasus Senior product and statutory upgrades, said Mr Jonathan Hubbard-Ford, chief executive.

The impact of those upgrades would not recur in the second half and software sales would continue at reduced levels despite the introduction of Pegasus Opera in the final quarter.

The benefit of integrating the Pegasus Supply business with Stockforms had become increasingly evident through operating profits of £368,000 (£121,000).

The group was in a period of transition as resources were increasingly committed to the development and marketing of Pegasus Opera. Mr Hubbard-Ford emphasised.

An interim dividend of 2p is declared, payable from earn-

ings per share of 8.4p. That compared with 3.5p from 3.8p last time, which was part of a 17 months accounting period.

Gibbs and Dandy back in the black

Gibbs and Dandy, the builders' merchant, swung from losses of £92,000 to profits of £292,000 pre-tax for the half year to June 30.

Dividends are resumed, after a three year lapse, via a 1p interim. Barring unforeseen circumstances, a second interim of at least 1p will be payable on April 5.

Earnings of 2.5p compared with previous losses of 1.2p. Directors said the profits improvement largely reflected the cost benefits of actions taken in the previous two years and continuing tight management of overheads.

Interest costs fell from £213,000 to £74,000. Turnover edged ahead to £11.4m (£11.3m) and generated operating profits of £368,000 (£121,000).

Sharp turnaround at Mallett

Mallett, the antiques dealer,

returned to profit in the first half of 1993, making £408,000 pre-tax. Last time the loss was £465,000.

Turnover rose from £3m to £5.13m as business gradually improved over the period with a very good result in June. Margins were not as high as the company would have liked but that was the result of selling a number of items on commission.

The directors stated sales in the second half have so far held up well.

Earnings per share were 1.98p (losses 3.51p). Interim dividends are restored with a payment of 0.5p.

Net assets rise at Murray Income

Murray Income Trust had a net asset value per ordinary and B ordinary share of 317p at June 30, compared with 280.2p a year earlier.

Net revenue for the 12 months slipped from £3,679,000 to £3,756,000 and earnings per share came through at 10.45p (10.54p).

A final dividend of 4.15p (4p) is proposed for an interim total of 10.9p (10.6p). For the year to June 1994 the directors are forecasting a final of 4.5p.

Virgin poised to sell 15% of games offshoot to Hasbro

By Karin Zagor in New York

VIRGIN Communications, the holding company for Virgin Group's entertainment, broadcasting, publishing and production interests, yesterday said it would sell a 15 per cent stake in a subsidiary for about \$25m (£16.8m) to Hasbro, the US toy company.

The subsidiary, Virgin Interactive Entertainment, develops and publishes interactive entertainment games for Nintendo, Sega and several computer platforms. The company has issued a number of Hasbro products in the last five years including the Monopoly and Risk board games.

Virgin and Hasbro have also agreed to form a joint venture within Virgin Interactive to develop and market Hasbro's existing products and other properties.

The Hasbro stake in Virgin Interactive, which is subject to regulatory approval, will dilute the holding of Mr Richard Branson, who controls the company.

Mr Robert Devereux, chairman of Virgin Interactive and Mr Branson's brother-in-law, said: "The proceeds from Hasbro's investment will provide VIE with increased financial flexibility as strategic opportunities arise to expand the business." The two companies plan to work together in product development, marketing and acquisitions.

The trust is managed in Glasgow by Murray Johnstone.

Merlin Int'l Green lifts dividend

At June 30 net asset values of Merlin International Green Investment Trust were 58.71p for the ordinary and 51.81p for the zero dividend share.

Net value per unit of one ordinary and one zero dividend share came to 110.52p, against 90.53p a year earlier.

In the half year gross revenue rose from £238,000 to £275,000, and net revenue after tax came to £484,000 (£269,000). This yielded earnings per share of 1.92p (1.1p) and the interim dividend is 1.7p (1p).

ICI director makes £0.17m on shares sale

Mr Chris Hampson, executive director of Imperial Chemical Industries, gained £172,218 after exercising share options granted under its senior staff share option scheme.

Mr Hampson exercised 14,882 share options at 540p a share and sold them at 690p. He still has options over 67,638 shares.

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COMPANY NEWS: UK

Reduced interest receipts add to effect of closing lossmaking operation

US costs knock Pentland to £6.7m

By Maggie Urry

LOSSES AND closure costs at its US trade finance business and lower interest receipts hit Pentland Group in the six months to June 30.

After bearing costs of £9.5m connected with the US operation, the consumer brands company was left with reduced pre-tax profits of £6.7m, against £18.7m, on an FRS 3 basis.

The share price fell 7p to 106p.

However, the underlying improvement in operating profits from continuing businesses and associates was 14 per cent and the interim dividend is raised to 1.16p (1.04p).

This follows a 12p special

dividend paid in April from the profit on the sale of Pentland's 20 per cent stake in Adidas, the sports goods company, realised last autumn.

Mr Stephen Rubin, chairman, said the results were "clearly disappointing." Finchside, the US trade finance subsidiary which financed imports to the US, had been hit by bad debts. It lost £2.2m in 1993, of which £2m was in the second half.

Mr Rubin said: "After careful consideration we have discontinued this activity as it was not central to our strategy and we were no longer satisfied with the risk-reward ratio in the business."

In the half year under review

it suffered trading losses of £2.8m and made a £5.7m provision for closure costs.

Mr Frank Farrant, finance director, said the business had been set up more than three years ago and made profits in the early stages. But US recession had hit importers, losses escalated and Pentland decided to "bite the bullet."

He said: "With the benefit of hindsight, we made an error of judgment."

Group turnover increased 32 per cent to £198.4m, with acquisitions chipping in £28.2m and continuing operations increasing their contribution by 13 per cent to £168.1m.

Operating profits from continuing businesses fell by £1m

to £3.4m. Growth from the Speedo swimwear business was offset by weakness in the footwear and international trade services divisions.

Mr Farrant said shifts in fashion had turned against trainers, although Kickers, another of its footwear brands, had fared well.

Acquisitions, notably Woods Wire, a US electrical goods group, and Berghaus, the UK specialist outdoor clothing company, contributed £1.6m.

Associate profits, from the 28 per cent stake in Authentic Fitness, the quoted US distributor for the Speedo swimwear brand in North and Central America, were £1.7m (£1.5m).

Interest receivable fell from

£14m to £9.5m, largely because of lower interest rates on its £262.9m cash pile.

The tax rate rose sharply, because of the US losses, and after the special dividend there was a transfer from reserves of £46m (profit £9.5m).

Earnings per share were 0.41p (3.89p) or 2.27p adjusting for the closure provisions.

At the year end the group had net cash of £347.3m, but this had fallen to £252.9m by the period end after the £43.3m cost of the special dividend and £42m spent on acquisitions, including two US footwear companies.

Mr Rubin said the group was seeking "further suitable acquisitions."

Cantab poised for listing in London

By Richard Gourlay

CANTAB Pharmaceuticals, the UK bio-pharmaceutical company quoted on Nasdaq in the US, is to come to the London market through a placing or open offer likely to raise between £15m and £20m.

In July last year the company sold 1m shares at \$10 (\$70p) in an initial public offering, since when the stock has slipped to about \$5 in line with a fall that has hit much of the US bio-technology sector.

The company also raised \$5m through a private placing in the US earlier this year.

Mr Paul Hancock, chief executive, said it had always been the group's intention to raise money in its home market.

Like many of the bio-technology companies that have come to the market, Cantab is some way from developing a marketable drug. The candidate drug it currently believes most likely to make it to market is LAM-CP45, a white blood cell modulator which it is developing in collaboration with Baxter Healthcare, the large US corporation.

The drug, if successfully developed, would be used to prevent rejection of kidneys after transplant operations and could replace the use of immunosuppressive drugs.

The product is currently in stage 2 clinical trials which means that at the earliest it will make it to market in 1997.

The three other products Cantab expects to go into clinical trials shortly would not be on the market before 1998.

The group was co-founded in 1989 by Mr Alan Munro, former head of immunology at Cambridge University. It is pursuing research in organ transplant rejection, cervical cancer, genital herpes, genital warts and inflammatory bowel disease.

In the six months to June 30 1993, Cantab lost £1.2m, compared with a deficit of £1.4m in the year to end-December. It has cash of about £5.1m.

Barclays de Zeeuw Wedd is adviser to the issue. A prospectus is expected within the next two weeks.

Alfred McAlpine deficit widens to £2.5m

By Andrew Taylor, Construction Correspondent

ALFRED McAlpine, the UK construction and building materials group, suffered an increased pre-tax deficit of £2.5m for the six months to April 30 1993.

The outcome compared with losses of £7.0m for the corresponding period.

Mr Oliver Whitehead, who was appointed chief executive in May, warned that large areas of the UK construction market remained deeply depressed.

Reports of a recovery had been greatly overstated, he said. Even if increased spending on infrastructure was approved now by government and private sector utilities, it would take several years for projects to come to fruition.

Mr Whitehead said that ministers had recently announced ambitious plans for widening motorways and improving railways but had so far not indicated where the money was coming from.

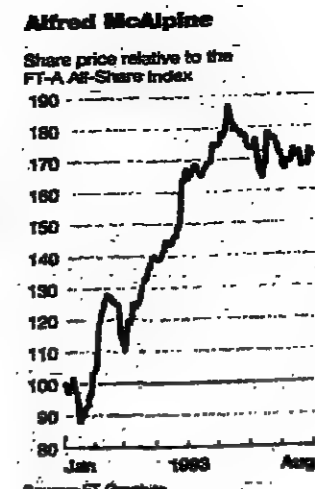
Group turnover in the first half had fallen from £250m to £241.3m. After all deductions the group incurred losses per share of 3.3p, compared with earnings of 0.2p at the corresponding stage last year. The company, however, opted to pay a maintained interim dividend of 3p.

There were some bright spots, directors said. The UK housing market had begun to recover, while construction activity was increasing in North and South Carolina, where McAlpine's US interests are mainly based.

Pre-tax profit in the US during the first half fell from £228,000 to £85,000 due to a wet winter and losses on two contracts. Profits, but for these two contracts, would have been about the same level as the previous year, said Mr Whitehead.

He expected US profits to be higher for the full year.

UK housing profits were also expected to rise after a sharply reduced first half loss, down from £1.33m to £254,000. The



number of house sales rose from 469 to 593 while operating margins rose from 3.3 per cent to 4.7 per cent.

On the UK construction side, which in last year's first half made a £2.02m profit, losses of £495,000 reflected the difficult trading conditions and a £750,000 exceptional loss on disposals.

UK aggregates incurred a loss of £161,000 compared to a £480,000 profit.

COMMENT

McAlpine's share price has outperformed the FT-A All-Share Index by more than 70 per cent since January 1. A 3p fall to 213p, after yesterday's announcement, still left the shares just short of their high for the year of 218p. The efforts of Mr Whitehead's predecessor Mr Grame Odgers, now chairman of the Monopolies and Mergers Commission, in reducing costs has left the company well placed to take advantage of a recovery. The businesses and the balance sheet, with gearing of only 22 per cent, are soundly placed. Pre-tax profits this year could reach £5m, producing earnings just sufficient to cover a maintained total dividend for the year of 5.5p. It is difficult, however, to envisage the share price continuing to outperform while the UK housing recovery shows little sign of spreading to other areas of construction.

Church more than doubled at £565,000

CHURCH & Co, the shoe maker and retailer, more than doubled pre-tax profits from £244,000 to £565,000 in the six months to June 30 on sales up 11 per cent to £33.1m.

The company attributed the advance to a sharply improved performance at Church Footwear and Joseph Cheaney, the UK manufacturing subsidiaries and at A Jones, which operates all the Church and Jones shops in the UK.

The situation overseas, however, continued to be difficult. The US and Canadian companies sustained losses in highly competitive trading conditions and moves were under way to strengthen Canadian management.

Profits from Belgium were marginally lower and the French retail company incurred a small loss.

The interim dividend is maintained at 3p on earnings per share of 2.5p (1.9p).

A Jones benefited from improved trading conditions for UK shoe retailing and achieved a turnaround from losses of £26,000 to pre-tax profits of £279,000. Sales rose 5 per cent to £14.8m.

Consumer credit boost for Cattle's

By David Blackwell

CONTINUING strong demand for consumer credit lifted interim profits at Cattle's Holdings.

The pre-tax outcome amounted to £6.9m, compared with £6.6m.

However, under FRS 3, last year's figure was restated from the originally reported £5.2m before an exceptional gain of £1.4m from profits on the flotation of a 56 per cent stake in

Roseby's, the curtain and linen stores group.

Turnover from continuing operations rose to £98.7m, up from £94.8m.

Turnover for the consumer credit division, led by Shopcheck, the door-to-door weekly credit business, rose to £77.8m from £72.4m. Profits rose 32 per cent from £5.1m to £6.8m.

Mr Eddie Cran, chief executive, described the consumer credit division's performance as exceptionally good. He attributed the profit rise to control of bad debt, containment of costs, interest rate cuts and an increased customer base.

The corporate services sector, with turnover of £17.05m (£12.2m), reduced losses from £265,000 to £19,000. Mr Cran predicted that the problems caused by recession were coming to an end, and that the division would return to the black by the end of the year.

The insurance services division reported a steep fall in

profit to £182,000 (£230,000) on turnover of £10.7m (£10.9m). Mr Cran said the division had lost clients to direct line insurers.

While the group was confident of winning clients back, it forecast the results of this division to be below expectations for the year as a whole.

Earnings per share were 4.25p, compared with a revised 4.26p under FRS 3. Last year's earnings were originally 3.16p.

The interim dividend goes up to 1.9p (1.6p).

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Acquisition behind 26% advance to £1m at Bostrom

By Peter Pearce

BOSTROM, the vehicle seating and specialist engineering group, lifted pre-tax profits by 36 per cent to £1m in the six months to June 30 thanks to the acquisition in February of AJW Holdings and the turnaround to profits of its joint venture.

The improvement, from £786,000, was struck on turnover of £24.2m (£17.1m) of which AJW, a fellow automotive components maker acquired for an initial £1.7m, contributed £3.6m. Operating

profits were flat, though AJW chipped in £135,000.

Interest payable rose to £231,000 (£201,000) because of the £2m debt that AJW carried, but Bostrom benefited from a £160,000 profit (deficit £73,000) contribution from BFA UK, the joint venture making seating frames and components for Jaguar.

Mr Colin Howell, managing director, said the group had seen higher sales to both Jaguar - "admittedly from a very low base" - and Land Rover, where the Discovery had greatly increased volumes. Vol-

umes were also up at Rover and Honda and, even though they fell at Ford, Bostrom lifted its market share there.

Continental Europe was "hurting the seating division, but this was compensated for by Japan, Australia and the improved UK market," said Mr Howell.

Mr Howell said that current order books were "much stronger" than they had been a year ago.

Earnings per share rose to 5.1p (4.5p) and the interim dividend is maintained at 2.5p.

EFT achieves gain of 25% to £881,000

EFT Group, the provider of asset finance, lifted pre-tax profits by 25 per cent in the six months to June 30.

Revenue fell slightly to £3.67m (£3.7m) but the pre-tax result came out at £881,000 against £706,000.

Mr Hamish Grossart, chairman, said that trading since June 30 had continued at the buoyant levels achieved in the first half. He expected the new commercial vehicle contract hire and truck rental division to make a small contribution to second half profits.

Earnings rose from 1.49p to 1.79p and the interim dividend is raised to 0.46p (0.4p).

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INDUSTRIVÄRDEN

INTERIM REPORT JAN 1 - JUNE 30, 1993

Consolidated earnings after financial items but before sales of listed stocks and CPN interest totaled SEK 121 (291) for the first six months of 1993. Including sales of listed stocks, totaling SEK 309M (-52). Group earnings amounted to SEK 430M (239).

percent since the beginning of the year. The General Index has risen by 43 percent.

Net asset value as per August 20, 1993, was calculated at SEK 284 per share and CPN.

The value of the portfolio of listed stocks on August 20, 1993, was SEK 9.7 billion, with hidden reserves totaling SEK 6 billion. Adjusted for purchase and sales, the value of the portfolio has risen by 56

The earnings forecast for 1993 has been raised to SEK 200M. Including the result of sales of listed stocks during the first half, this entails earnings of approximately SEK 500M.

Industrivärden Group Income Statement January 1 - June 30, 1993

(SEK M)	1993 Jan-June	1992 Jan-June	1992 Jan-Dec
Invoiced sales	5,876	5,542	10,948
Manufacturing, selling and administration costs	-5,025	-4,882	-9,646
Operating earnings before depreciation	651	660	1,302
Scheduled depreciation	-356	-293	-624
Operating earnings after depreciation	295	367	678
Financial income and expenses:			
Dividend income	164	212	213
Interest income	30	57	105
Interest expenses (excluding CPN interest)	-379	-364	-756
Other financial items	11	-1	18
Earnings after financial items	121	291	258
Capital gains/losses from sales of listed stocks	309	-52	-29
CPN interest	-45	-45	-90
Earnings before extraordinary items	385	194	139
Extraordinary income and expenses	0	8	8
Earnings before taxes and minority interests	385	202	147

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Annual report with a difference boosts ethical approach

Andrew Jack looks at an unconventional company which applies 'social' guidelines to its trading strategy

A HIGHLY unusual document has been circulating in the boardrooms of the FTSE 100 companies in the last few weeks. It is a plea for greater accountability and information, and its source is not a pressure group, but a rival business.

The request comes in the form of a document designed to lead by example, an annual report with a difference called a "social audit". Its aim is to assess the social impact and ethical behaviour of the company in relation to its aims and those of its "stakeholders".

The 20-page glossy brochure provides background on topics such as the breakdown of costs and profits throughout the production process of a sample of products, a description of some of its suppliers, and figures on the composition and salary scales of the workforce.

The source for this information is an extremely unconventional company called Traidcraft. Founded in 1979 in Newcastle upon Tyne, the business imports food, clothing and handicrafts from groups in the Third World. Its aim is to promote "fair trade" by buying at what it considers just prices from suppliers who promote social and economic development in their communities.

Some of its principles have been challenged in the last few years by a deficit which threatened its future. It has changed management and restructured with the aim of being profitable and paying dividends.

However, the new mood has not removed the directors' determination to keep sight of at least some of their radical origins. Traidcraft maintains a policy of offering the highest-paid

employee no more than three-times the wage of the lowest. Its objectives of promoting fair trade remain. Its social audit report is a development out of these concerns.

The idea of social auditing is not new. In a booklet produced earlier this year by the company in conjunction with the New Economics Foundation, an alternative economics think-tank, it lays out the history of the process in the last 20 years. The authors are Richard Evans, Traidcraft's external affairs director, and Simon Zadek from the foundation.

In 1971, there was a social audit of the Upper Clyde Shipbuilders. A number of similar assessments in the UK and US were carried out during the decade by Social Audit, established by the Public Interest Research Centre, largely without the co-operation of managements.

Pressure for greater disclosure by companies developed, with guidelines from the Confederation of British Industry and limited extra disclosure requirements in successive pieces of company law covering political and charitable contributions and employee welfare.

In other countries, there has also been considerable attention paid to social accounting issues beyond the narrow confines of financial performance: companies in the Netherlands, Sweden, Germany, the US and India have produced reports.

But the authors argue that the missing ingredients have been anything systematic, comprehensive and regular. They are often focused around one particular event such as a factory closure, only consider certain products or regions, become rapidly

dated, may be superficial, and typically are not independently verified. There is also no framework to help guide disclosures and make them consistent.

Traidcraft's recent efforts certainly try to address these limitations. Its first tentative steps took place last year with a document called "Towards a Social Audit". It profiled two of its suppliers, analysed changes in its product range, made reference to market research into its mail order customers, and described its environmental impact. The full 1992-93 social audit document and process - which cost £20,000 - goes rather further. It considers its ability to maintain growth in sales and continuity of orders to help producers, the proportion of sales derived from the Third World, and shareholder participation.

The picture that emerges is not entirely positive: purchases fell from its profiled region - the Philippines - because of the UK recession, failure to generate sufficient revenues under Traidcraft's minimum target sales and inability by a supplier to deliver a promised product range. It documents concerns by some producers that the company failed to communicate sufficiently.

The report on employees raises some concerns about whether the company should pay a greater wage to those at the lower end of the salary scale, and on the ambivalence of non-Christian staff to the company's policy of only allowing Christians to sit on the board.

On environmental issues, it admits it has generally been unable to trace products to sources to judge whether

they are produced sustainably.

A three paragraph "auditor's report" written by the New Economics Foundation is not entirely positive. It says: "We are satisfied that the (report) ... offers an adequate basis for understanding key aspects of the social impact and ethical behaviour of Traidcraft in relation to its aims and those of its main stakeholders for the period in question."

But it goes on to endorse the need to continue to develop the social audit method, apply more specific indicators and targets, focus on the effectiveness of lobbying and education work, give further emphasis to environmental aspects and develop additional forms of social book-keeping to ease the audit.

Traidcraft admits to a number of difficulties. It stresses that the report will evolve in the future, and that only next year can it begin to assess performance. It argues that it is difficult and dangerous to quantify too far, or to add up different numbers to attempt to produce a single overall figure of social profit or loss.

There are, nevertheless, a number of weaknesses in the report. It fails on several occasions to clearly lay out its objectives and then assess them: using a graph which is all but impossible to read to highlight the growth in goods sourced from the Third World, for instance.

The report makes little attempt to justify its choice of assessment criteria or show how they are audited - though much evidence according to the "Auditing the Market" booklet is apparently to be based on discussions with staff - which does not seem appropriate for issues such as how to

assess the impact of its educational activities.

It often cites highly anecdotal evidence, such as that there has been a 60 per cent increase in the last year on the time spent visiting producers to work on product design and development. This is interesting but smacks of gathering anything available rather than systematic probing.

It raises the wider question of how far the profiles of suppliers are always likely to be self-justifying. A producer of handicrafts may sound worthy of support because it also sponsors social welfare programmes in the community. But would the money be spent more productively or efficiently given to another local group whose sole concern was these social issues?

In addition, it reflects the inadequacy of any attempt so far to meaningfully define "fair trade" in any but very general terms. That will clearly hamper any effects to genuinely assess the company's effectiveness.

More fundamentally, it highlights the fact that even the highly unusual shareholder base is apathetic and happy to let the company do its work. Without active discussion of its objectives, how can Traidcraft effectively debate what its ethical and social priorities should be?

Given the difficulties in yet refining its own methodology, let alone its rather unusual shareholder profile, it is also difficult to see many other companies following Traidcraft's lead in the short-term: welcome though that would certainly be.

"Auditing the Market" by Simon Zadek and Richard Evans, Traidcraft Exchange, Kingsway, Gateshead, NE11 0NE, £2.50

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ATTRACTIVE SALARY PACKAGE + GENEROUS BENEFITS

Finance Professionals in Insurance

Fulfil your true potential

You've achieved much in your insurance career so far, gaining in-depth knowledge and a clear commercial focus. But those skills which have served you well to date can be enhanced still further in management consultancy. At Coopers & Lybrand, we offer exceptional individuals the chance to develop their skills and fulfil their potential in a broader context.

The business understanding which you've derived from line management or project-based experience - together with your degree and professional accountancy qualifications - make you well-placed to benefit from such a career move.

Coopers & Lybrand is acknowledged worldwide as a leading management consultancy and accountancy firm. Join our Financial Services arm and you will be part of an established and highly specialised insurance team, advising clients on a range of strategic financial and systems-related issues in what continues to be an increasingly competitive marketplace.

Working within project teams of various sizes, you will enjoy genuine responsibility for defining problems, instigating change and influencing

the strategy of blue-chip clients at senior management level. Operating anywhere in the UK or overseas, you will use your personal experience and initiative to take key decisions and carry through their implementation.

As well as good analytical and problem-solving skills, you will have the ability to communicate your findings clearly and succinctly. Probably aged 25-35, energetic and determined, you must be able to establish immediate credibility among senior client management.

In return, you will enjoy excellent career prospects, an impressive remuneration package and individually-tailored training. Above all, you will have the opportunity to prove your worth in an environment that is both challenging and enjoyable.

If you believe you can add to the strength of our team, please write with full career details to

Joan Richardson,
Coopers & Lybrand,
Plumtree Court,
London EC4A 4HT.
Please quote reference FT045.

Coopers & Lybrand Solutions for Business

Group Financial Controller

Growing and Acquisitive plc

c. £45K + Bonus + Car

Hampshire

Our client is a successful organisation with interests in industrial coatings, air filtration and engineering, with a turnover in excess of £100m. The group has recently completed and is in the process of integrating a significant acquisition with a number of subsidiaries in Europe and North America. The management team is committed to further expansion of the business.

In this newly created position, there is a need for an outstanding individual to join the finance team and make a key contribution in a challenging and demanding environment.

The Group Financial Controller will report to the Group Finance Director as a member of the small head office team. The prime responsibility will be to take charge of all financial and reporting matters relating to the operating companies.

Working closely with the Group Finance Director, key tasks will include:

- supervising group financial reporting, budgeting and cash management;

- directing and monitoring the future development of financial controls, systems and accounting policies;
- taking action at subsidiary level to ensure group objectives are achieved.

Appropriate candidates will be large firm qualified Chartered Accountants, aged 30-35, with a successful record in the profession or an industrial environment. First class communication skills, together with the ability to influence at all levels, are essential personal qualities. The appointed individual will have a strong technical ability, be detail conscious and possess a practical, results-oriented approach.

This is an excellent opportunity for an ambitious accountant to join a growing business. The remuneration package will include a performance-related bonus and assistance with relocation, if necessary.

Interested candidates should send a detailed CV to the address below, quoting reference number 92275N, including details of current remuneration and availability.



SEARCH & SELECTION

PARK HOUSE, 6 KILLINGBECK DRIVE, YORK ROAD, LEEDS LS14 6UF Tel: 0532 484848. Fax: 0532 484852
A GKRS Group Company

FINALIST/QUALIFIED FINANCIAL MANAGEMENT

UK/EUROPE TO £20,000 + BENS

First move from "Big 6" or major manufacturer for very mobile role. Must have at least one European language and be prepared to relocate with this international manufacturer/development co.

Call Alan Reid
Staffwise Accountancy
071 240 2944 Ref: P004/C
Rec Cons

FINANCE DIRECTOR

A home products distribution company (turnover c£40m), part of a large international group, seeks a Finance Director, ACA, with 5 to 10 years' experience in a similar capacity. The successful candidate initially will be based in London. Please forward C.V. with details of current salary to:

The Managing Director, PO Box 3BR, London W1A 3BR

FINANCIAL DIRECTOR

This international manufacturing group, with activities world-wide, is looking to recruit an experienced and talented individual to assist in the development of its operations in Poland

As a key member of the senior management team, you will be responsible for modernising the Group's newly acquired Polish organisation and the development of all computerised administrative and financial systems, as well as training the existing management. Reporting directly to the Polish Managing Director, and liaising closely with the Group's European headquarters your responsibilities will also involve overseeing the preparation of financial statements to local and international standards and the instigation of budgeting and planning procedures.

To meet this challenge you will need to be educated to degree standard and be a professionally qualified accountant or MBA in addition to having the following characteristics:

- a proven track record in financial management within a manufacturing environment
- sound proficiency in treasury management
- the ability to lead a large team and to achieve 'hands-on' implementation coupled with the ability to deal with people at all levels
- fluency in English & Polish
- proven recruitment and training skills.

This is an excellent opportunity for an individual who can demonstrate clear management ability. Salary is not a limiting factor and prospects for progression within the Group are outstanding.

Interested candidates should apply in writing, enclosing a CV, to Michael Pickford at Nicholson International [Search & Selection Consultants], Africa House, 64-78 Kingsway, London WC2B 6AH, quoting ref. 9926 or fax details on 071 404 8128. Alternatively, call first for an initial discussion on 071 404 5501.

NICHOLSON INTERNATIONAL

United Kingdom • France • Belgium • Holland • Spain • Germany • Italy • Turkey • Poland • Czech Republic

FINANCE MANAGER

£35,000-£42,000 + car

From offices adjacent to the M25, our client is enjoying extraordinary growth. Revenues have doubled year-on-year since the late 1980's. Expansion outside the UK will be the next phase of development.

Operating within a successful multi-national, the UK company is a sales and service organisation for equipment being sold into a modern growth industry.

It is a small, close knit operation in which the role of Finance Manager is high profile and key to future development of the business. In addition to the normal management and statutory accounting routines there is a requirement for creative,

pro-active and high level support to the Managing Director.

Candidates should be aged between 30 and 40, graduate ACA's, with management and international finance experience, preferably obtained from within the UK subsidiary of a multi-national.

An attractive salary, commensurate with experience, car and employment package which includes non-contributory pension and assistance with relocation costs, if appropriate, will be agreed with the successful candidate.

Please fax or send your CV, including details of your current/latest salary, to David Edwards at the address below.

MKA MANAGEMENT CONSULTING LIMITED
Tectonic Place, Holyport Road
Holyport, Maidenhead, Berks SL6 2YE
Telephone (0628) 799015
Fax (0628) 795135

MKA

BELGIUM • FRANCE • GERMANY • ITALY • SPAIN • SWEDEN • SWITZERLAND • THE NETHERLANDS

SOUTH COAST ENGINEERING COMPANY

Divisional Finance Director

Dorset

c £45K Package

Reporting to the Divisional Managing Director of a dynamic expanding organisation, developed via organic growth and strategic acquisitions policy.

The division operates on an international basis through UK and overseas companies, with a current turnover of 70 million sterling.

The successful candidate will be responsible for all aspects of financial management - strategic, operational, accounting and financial control functions.

Ideal candidates will be qualified accountants with broad experience in a pro-active international manufacturing and contracting environment.

To respond to this career challenge please forward a full curriculum vitae, including present remuneration to:

Box No. B1648
Financial Times
1 Southwark Bridge
London SE1 9HL

Application safeguards are in place, please advise of organisations to whom you do not wish your C.V. forwarded.

BANKING FINANCE & GENERAL APPOINTMENTS

Chief Operating Officer

Bank Start-Up

London

c.£60,000 + attractive package

Our client is a well established Spanish bank, with a position of high standing in commercial banking. Their plans to extend further this successful business by the establishment of a London office are well advanced. The next stage is to appoint a Chief Operating Officer, who will then have an opportunity to understand the business of the parent bank and contribute from the outset both to the development of the strategy and the selection of staff.

Reporting to and working closely with the General Manager, you will be directly responsible for the establishment and overall administration of the London Branch, with the main focus initially being on the foundation of strong internal controls and a tightly managed, effective back office. Additional responsibilities will be: establish operational management which provides quality service to clients, develop and establish effective information and management reporting; conceive and implement appropriate IT; represent the Bank at meetings with the regulatory authorities; provide clear, original and determined leadership. These require respectively: proven banking skills; clarity in defining the required information and reports; rigorous numerical analysis; enthusiasm for a start-up situation; demonstrable leadership skills.

Candidates should be graduate, experienced bankers with an in depth knowledge of finance and operations, preferably with previous experience of a start-up. Professional skills should include the overall development and effective operation of business led IT, familiarity with regulatory authorities, commercial acumen, pre-emptive knowledge of IBIS; personal qualities will include persuasive communication, secure accuracy under pressure, absolute mutual trust, resilient enthusiasm and an open, confident management style. An ability to speak Spanish and a further European language would be an advantage.

This very stimulating and new role will appeal to candidates who seek comprehensive management responsibility in a market led European banking business. Consequently candidates will also be sought through executive search.

Please send a summary of how you match this requirement, with a curriculum vitae and salary details quoting reference POC9 to Peter Dell at Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 3NF.

 **ERNST & YOUNG**

DERIVATIVES ANALYST

Salary and benefits will be highly competitive

Our client is a leading international investment bank expanding in the fixed income structured products area. A position has arisen for a derivatives analyst who must be able to respond quickly and positively to a variety of trading situations. Located in London within the structured products trading team, the ideal candidate will hold a first degree plus a post graduate qualification in a strongly quantitative discipline (i.e. Mathematics, Physics or Statistics). Previous experience in the valuation and risk management of exotic fixed income derivatives is preferred, but not essential.

Please contact Ron Bradley on 071-623 1266.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

MANAGING A PROFESSIONAL TEAM

IN FINANCIAL SERVICES CONSULTANCY

Kent, Sussex and Hampshire
£30,000 + car + bonus + benefits

This is an opportunity to use your management skills in a new and stimulating context by leading a 10-strong team of highly motivated personal financial planning consultants.

Clerical Medical Investment Group is a premier financial services organisation which offers investments, pensions, unit trust and life assurance products. In a new initiative to enhance our service, we are recruiting consultants solely from professional backgrounds and training them to offer expert financial planning advice to our professional customer base. Long-term mutually beneficial customer relationships are the guiding principle of this move; leads are generated from a central source and rewards are based on team effort and quality of service. As you can see, integrity is the watchword for all our business transactions.

Success in this role depends on sound management ability. Aged at least 40, you will have a track record of success in

managing professional people in a co-operative and non-coercive way. Coaching, counselling, advising and motivating your team will be central to the role, as will your skill in analysing performance figures and solving problems. A convincing communicator, you will be able to demonstrate a high level of maturity and personal authority, along with sensitivity and patience. To be eligible for consideration you must hold a recognised professional qualification and be able to demonstrate a readiness to acquire new knowledge. Your commitment to integrity and quality will be matched by your drive and organisational skills to ensure that our professional standards are maintained. We are not seeking candidates with a financial services direct selling background.

A generous basic salary of £30,000 is offered in addition to a quality bonus. The remainder of the rewards package includes immediate mortgage subsidy, non-contributory staff superannuation scheme, BUPA and company car.

To progress your application please contact Sophie Bindloss or Nick Morgan on 0275 553939 between 0900 and 1830 Monday to Friday.

Clerical Medical
INVESTMENT GROUP
THE CHOICE OF THE PROFESSIONAL

PA Consulting
Group
Creating Business Advantage

Executive Recruiters • Human Resource Consultancy • Advertising and Communications

Medium Term Note Sales

A unique opportunity to participate in the expansion of this major investment bank's MTN activities. The successful candidate will join a team of professionals covering fixed income and swapped products, with particular emphasis in vanilla and structured MTN and asset swap placement.

A strong technical ability, proven sales and distribution capability are required. European languages would be advantageous. The position will suit a highly motivated individual, able to use their own initiative and looking for a challenging environment.

A highly competitive remuneration package will be available to the right candidate who should have at least 2 years' capital markets sales experience.

Applicants should write enclosing a full cv to:

Carol Fryer, Personnel Manager,
Markets Division,
Barclays de Zotte Wedd Limited,
Ebbgate House,
2 Swan Lane,
London, EC4R 3TS.



CAPITAL MARKETS

MEXICO DESK

Our client, one of the leading European players in the area of emerging markets, is looking to expand its Latin American team in London with the recruitment of an Assistant Director.

The chosen candidate will ideally be a graduate in his or her early to mid 30s, with a strong banking background and a minimum of three years' specialisation in Mexican merchant banking. A solid background in bank credit, an analytical mind, comprehensive knowledge of the Mexican debt and equity markets, together with fluency in Spanish are prerequisites.

As deputy to a London based director, the successful candidate will be responsible for structuring and arranging new issue and other fee generating transactions.

The position provides a highly competitive salary and benefits package, including significant bonus potential. Prospects for further career advancement within the company are excellent.

Please reply, in absolute confidence, to Neil Salt, quoting reference NAS2134.

Salt
Chapman
Associates

International Search and Selection
Princes House, 36 Jernyn Street,
London SW1Y 6DT.
Tel: 071-434 1319. Fax: 071-434 0835.

INVESTORS

CHRONICLE

EUROPEAN EDITOR

We are looking for a European investment specialist to run a two person team. He/she would be responsible for a section of the magazine discussing all aspects of investment in Europe for the private investor. This includes:

- ★ analysis of individual European stockmarkets
- ★ advice on unit and investment trusts
- ★ direct investment in individual major quoted European companies.

The successful candidate should have fluent business German or French. He/she is likely to be working in the European research department of a stockbroker, managing funds investing in Europe or have relevant journalistic experience.

Applications plus curriculum vitae to:

The Editor,
Investors Chronicle
Graystone Place, Fetter Lane, London EC4A 1ND

DIRECTOR

INVESTMENT CONSULTANCY

US-based investment and financial consulting firm working with charities, pension funds and wealthy families, seeks a senior level consultant to open a London office, provide overall management and direction of the office, work with clients, and market to prospective UK and European clients. Working in conjunction with the US operation, the senior consultant will advise clients' boards and senior executives on issues related to investment policy (asset allocation, investment manager selection, portfolio analysis, non-marketable securities etc.). Candidates must possess knowledge of investment management theory and practice including a thorough understanding of UK capital markets and investment managers, strong analytical skills (both conceptual and quantitative), excellent writing ability (sample required), and excellent oral and presentation skills. Compensation consistent with level of position.

Apply in writing to Box B1645, Financial Times,
One Southwark Bridge, London SE1 9HL.

Non-Executive Director

Midlands Based

An internationally known, medium size plc wishes to appoint a second non-executive director.

The requirement is for a Director with an accounting qualification and familiarity with the marketing of nationally branded, consumer durable products.

The role calls for integrity and proven commercial judgement, stemming from at least ten years experience as a board member of a public company.

Interested applicants should forward a C.V. to:

Steven Cooper,
McConnell Recruitment Advertising,
49 Uttomster New Road, Derby DE22 3NL.
Applications will be passed only to our client.

FLEMINGS

HEAD OF SMALLER COMPANIES INVESTMENT TEAM

An opportunity has arisen within Fleming Investment Management for a specialist U.K. smaller companies investor. As well as managing a small team, responsibilities will include:

- Managing existing and developing new portfolios
- Marketing Flemings' capabilities in this area
- Building on the existing performance record

Candidates must have a proven success record with at least 3 years' experience in this sector in order to meet the demands of this outstanding opportunity. Enthusiasm, professionalism and excellent communications skills are essential.

Please write to the address below enclosing a C.V. which shows your achievements and gives details of your current remuneration.

Angela Denny,
Personnel Manager,
ROBERT FLEMING & CO. LIMITED,
25 Copthall Avenue, London EC2R 7DR.

Swaps

Marketeers

Investment Banking - Europe

Scotiabank, a major Canadian Bank seeks two experienced Swaps Marketmakers. The appointees will be marketing Interest Rate and Cross Currency Swaps, together with Interest Rate Options.

Candidates must be degree educated and highly numerate. They should have sound experience of and contacts in the respective market place and are unlikely to have less than 2/3 years' relevant experience with an active Swaps House. Fluency in either German, Spanish or Italian is essential.

Salary is negotiable with an excellent benefits package.

Please forward full career details to Mrs Gillian Harris, Senior Manager Personnel, The Bank of Nova Scotia, Scotia House, 33 Finsbury Square, London EC2A 1BB.



Scotiabank

OPTIONS TRADER

An International Securities House is currently expanding its Derivatives Division and now seeks to recruit a skilled Options Trader, to act as Floor Manager and participate in the development of new Options products.

Candidates must hold a strong Mathematical or Statistics based degree and have received formal training in market volatility concepts and theoretical pricing models. Candidates must have at least two years relevant experience in Options trading and sound knowledge of the relationship between futures and options and options book management. Experience must have been gained in an international organisation. Candidates should also have a well established network of international contacts to enable exchange of ideas and gathering of information on global options markets activities.

The successful applicant will be responsible for developing new and innovative techniques in options trading, respecting the overall strategy of the company. He/she will manage a team of junior traders and floor clerks and be responsible for training, developing and motivating junior staff. Previous experience in this area would be an advantage. Responsibilities will also encompass ensuring compliance with all regulations relating to floor trading and ensuring the Floor team act in a professional way to represent the reputation and good name of the company. The successful candidate will act as the main link between the floor and the in house Risk Manager. In return an exciting opportunity is offered to assist in the development of a relatively new venture and play a significant part in establishing the company as a major participant in the Options Market.

To apply in the first instance send your c.v. and short covering letter for the attention of: David Miller, quoting reference 13989C.

Miller
Leake
ADVERTISING

4th Floor, Harling House,
47-51 Great Suffolk Street, London SE1 0BS

INVESTMENT TRUSTS - Contd.

717	7.1	94.8	21
718	4.8	119.7	-8
719	12.1	47.5	22
720	3.2	249.6	26
721	13	33.1	14
722	17	329.5	12
723	17	250.6	48
724	6.0	67.7	2
725	0.6	122.5	-3
726	0.6	122.5	7
727	4.3	78.7	2
728	8.8	374.5	1
729	3.7	111.1	6
730	11	102.7	-8
731	3.8	65.6	11
732	5	58.6	93
733	172.6		
143	0.0	257.1	2
275	14.0	53.9	28
276	0	111.1	4
814	1.1	128.2	0
138	13.0	274.6	48
5515	1.4	-	-
184	14	42.8	20
185	0.3	94.4	-7
186	2	283.1	48
187	0.8	104.9	13
188	1.3	208.0	18
143	7	47.7	-2
281	-1.9	121.2	1
115	10.5	22.5	2
116	3.0	329.5	7
117	2.8	148.7	28
207	0.0	207.1	2
151	0.2	148.7	28
152	0.2	148.7	28
48			

City of _____
 Recorder's Office _____

63	8.7	112.2	-
98	2.7	132.2	-
317	-	-	-
105	6.8	120.9	-
111	-	-	-
175	0.7	254.9	-
107	-	121.4	-
28	4.6	81.1	-
16	-	-	-
314	-	-	-
73	10.2	107.8	-
98	-	149.9	-
77	2.8	-	-
47	1.4	70.5	-
5	-	-	-
124	4.9	140.8	-
874	-	113.9	-
146	17.2	-	-
190	7.6	-	-

Joe Frigo Capital Investment, Inc.

[illegible]

M & C 2nd DIST INC.

194	5.1	221.3	0
119	34	173.2	0
47	65	6.3	0
11	88	4.3	0
81	14	108.2	0
92	8.1	126.0	0
30	92	0.7	283.0
30	92	4.2	148.1
221	1.0	208.5	0
21	91	8.3	24.5
19	91	5.9	114.5
54	91	0.8	0
158	91	0.8	0
177	91	0.8	0
363	91	1.7	532.9
334	94	1.4	540.0
26	94	0	0
111	94	3.9	157.8
103	23	4.3	131.0
27	94	0	0
118	94	1.4	256.9
36	94	0	0
117	94	0	0
276	94	0	0
285	94	0	0
282	94	0	0
236	94	0	0
93	94	0	0
276	94	0	0
276	94	0	0
1674	94	0	0
280	94	0	0

100

[illegible] 100_2

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INVESTMENT TRUSTS - Cont.

Stock	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	99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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls on rate news

THE DOLLAR and European currencies weakened against the D-Mark in European trading yesterday after the Bundesbank surprised dealers by keeping its official interest rates unchanged, writes James Blitz.

Expectations had been for a cut of up to 1.5 percentage points in the discount rate, which sets the floor for all German money market rates.

The decision not to cut led to a slight firming in the D-Mark's value against most currencies in this trading. But there was a strong impression that European currencies could start to show a clearer trend against the D-Mark when foreign exchange volumes pick up at the start of next week.

In Europe, the Bundesbank announcement pushed the franc below the FF8.50 level in mid-afternoon after it had closed on Wednesday night at FF8.4730. It later closed at FF8.502. One analyst said that France's unemployment figures for July, due on Monday, would be important in determining how much pressure the currency market must put on the Bank of France to cut rates.

The Danish krone was also weaker, closing at Dkr1.125.

£ IN NEW YORK

	Aug 26	Aug 27	Aug 28
Spot	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
1 month	1.5135-1.5145	1.5140-1.5150	1.5150-1.5160
3 months	1.5125-1.5135	1.5130-1.5140	1.5140-1.5150
12 months	1.5115-1.5125	1.5120-1.5130	1.5130-1.5140

Forward premium and discount rates to the US dollar.

STERLING INDEX

	Aug 26	Aug 27	Aug 28
US	100.00	100.00	100.00
Germany	100.00	100.00	100.00
France	100.00	100.00	100.00
Italy	100.00	100.00	100.00
Spain	100.00	100.00	100.00
Japan	100.00	100.00	100.00
UK	100.00	100.00	100.00

CURRENCY RATES

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

CURRENCY MOVEMENTS

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

OTHER CURRENCIES

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

MONEY MARKETS

Euromark futures fall

THE BUNDESBANK again surprised European money market dealers yesterday by refusing to cut its official interest rates when there had been strong expectations that policy would be eased, writes James Blitz.

The German central bank left its discount rate unchanged at 6.75 per cent and made no announcement on next week's repo. Market expectations had been for a cut in the discount rate of up to 1.5 percentage points in the belief that inflationary pressures in Germany had eased.

UK clearing bank base lending rate 6 per cent from January 1993.

There was no formal explanation of why the Bundesbank had left policy unchanged. Analysts said that the central bank might have been concerned by M3 monetary growth after the intervention to support the franc. The central bank might also have found it difficult to explain why it was cutting rates in August, when the failure to ease policy in July had brought the demise of the Exchange Rate Mechanism.

The Bundesbank's move was followed by announcements of no change in rates from Austria and the Netherlands. France had announced before

well below its Wednesday close of Dkr4.085. Sterling closed 1/4 pence higher at Dkr2.5150. But it was the Belgian franc which, of all European currencies, caused most concern. The currency slid to a low of Bfr21.35 yesterday, having closed on Wednesday night at Bfr21.12.

The announcement by a group of Flemish economists earlier this week that the Belgian currency should sever its link with the D-Mark was the cause of the currency's slide. "The Belgian franc is the European currency we worry about more than any other," said Mr Jim O'Neill, head of research at Swiss Banking Corporation in London.

However, Mr O'Neill believes that it is the performance of the dollar/D-Mark currency pair that will dominate the foreign exchange market's attention over the next few weeks. Yesterday, the dollar slid against the German currency,

closing at DM1.6880, 2 pence down on the day and a 9-week low. Mr O'Neill thinks this trend could continue as dealers gradually turn their attention away from the newly relaxed ERM.

Poor economic data, a large budget deficit and German intransigence continue to hang over the US currency. "A move down to DM1.60 is certainly possible over the next 3 months," said Mr O'Neill. "And I have to say that I do not rule out the possibility of the dollar hitting new historic lows."

The Japanese authorities continued to take full advantage of the upswing in the dollar/yen rate, heavily intervening to support the currency in Asian trading. The intervention helped the dollar to get back above the ¥105 level, but the Japanese intervention was ineffective in a thin market, and the dollar closed at ¥104.30 from a previous ¥104.90.

EMS EUROPEAN CURRENCY UNIT RATES

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

POUND SPOT - FORWARD AGAINST THE POUND

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

EURO-CURRENCY INTEREST RATES

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

EXCHANGE CROSS RATES

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

FT LONDON INTERBANK FIXING

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

MONEY RATES

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

LONDON MONEY RATES

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
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Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

FINANCIAL FUTURES AND OPTIONS

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

LIFE LONG FINANCIAL OPTIONS

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Italian	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

LIFE LONG FINANCIAL OPTIONS

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
FF	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Yen	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Swiss	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
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Spanish	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

LIFE LONG FINANCIAL OPTIONS

	Aug 26	Aug 27	Aug 28
US\$	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
DM	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160
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Japanese	1.5125-1.5135	1.5140-1.5150	1.5150-1.5160

LIFE LONG FINANCIAL OPTIONS

10 YEAR MONTHLY STERLING				
US\$ 1000 covers 100%				
	Cash	1m	3m	6m
Dec	94.14	94.12	94.14	94.14
Nov	94.14	94.09	94.01	94.09
Oct	94.14	94.09	94.01	94.09
Sept	94.14	94.09	94.01	94.09
Aug	94.14	94.09	94.01	94.09
Jul	94.14	94.09	94.01	94.09
Jun	94.14	94.09	94.01	94.09
May	94.14	94.09	94.01	94.09
Apr	94.14	94.09	94.01	94.09
Mar	94.14	94.09	94.01	94.09
Feb	94.14	94.09	94.01	94.09
Jan	94.14	94.09	94.01	94.09
Dec	94.14	94.09	94.01	94.09
Nov	94.14	94.09	94.01	94.09
Oct	94.14	94.09	94.01	94.09
Sept	94.14	94.09	94.01	94.09
Aug	94.14	94.09	94.01	94.09
Jul	94.14	94.09	94.01	94.09
Jun	94.14	94.09	94.01	94.09
May	94.14	94.09	94.01	94.09
Apr	94.14	94.09	94.01	94.09
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Sept	94.14	94.09	94.01	94.09
Aug	94.14	94.09	94.01	94.09
Jul	94.14	94.09	94.01	94.09
Jun	94.14	94.09	94.01	94.09
May	94.14	94.09	94.01	94.09
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Nov	94.14	94.09	94.01	94.09
Oct	94.14	94.09	94.01	94.09
Sept	94.14	94.09	94.01	94.09
Aug	94.14	94.09	94.01	94.09
Jul	94.14	94.09	94.01	94.09
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Feb	94.14	94.09	94.01	94.09
Jan	94.14	94.09	94.01	94.09
Dec	94.14	94.09	94.01	94.09
Nov	94.14	94.09	94.01	94.09
Oct	94.14	94.09	94.01	94.09
Sept	94.14	94.09	94.01	94.09
Aug	94.14	94.09	94.01	94.09
Jul	94.14	94.09	94.01	94.09
Jun	94.14	94.09	94.01	94.09
May	94.14	94.09	94.01	

CANADA

CANADA

Sales	Stock	High	Low	Close	Day	Sales	Stock	High	Low	Close	Day	Sales	Stock	High	Low	Close	Day
TORONTO																	
4 pm close marked *																	
Outboarders in Canada unless marked *																	
11342	Abn. Cr.	\$125	123	125	+	22538	Laurin Mar.	\$20	20	20	+	8408	Stock	\$85	85	85	+
21267	Alcan.	\$115	115	115	+	32003	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	12138	Shedden Co.	\$20	20	20	+
39700	Alcan. St.	\$20	20	20	+	13169	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	12139	Shedden Co.	\$20	20	20	+
79987	Alcan. St.	\$20 1/2	20 1/2	20 1/2	+	81616	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	18727	Shedden Co.	\$20	20	20	+
12710	Alcan. St.	\$20 1/2	20 1/2	20 1/2	+	10238	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	5693	Shedden Co.	\$20	20	20	+
37335C	Alcan. St.	\$20 1/2	20 1/2	20 1/2	+	12483	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
13210	Alcan. St.	\$20 1/2	20 1/2	20 1/2	+	21715	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
6150	Alcan. St.	\$20 1/2	20 1/2	20 1/2	+	76448	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
25280	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	109170	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
60997	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	3670	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
123440	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	11691	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
34515	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	19389	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
14414	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	19389	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
602	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	19389	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
1100	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	19389	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
54515	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	19389	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
46039	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	19389	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
20440	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	19389	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
10006	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	19389	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
76333	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	19389	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
14153	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	19389	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
16780	B. Mar.	\$20 1/2	20 1/2	20 1/2	+	19389	Manit. Ind.	\$27 1/2	27 1/2	27 1/2	+	17983	Shedden Co.	\$20	20	20	+
97200	Canada	\$17 1/2	17 1/2	17 1/2	+	2100	Harris & A.	\$9	9	9	+	40437R	Bombardier	\$15 1/4	15 1/4	15 1/4	+
4700	Canada	\$15 1/4	15 1/4	15 1/4	+	7450	Harris & A.	\$12 1/2	12 1/2	12 1/2	+	91408	Canibor	\$17 1/2	17 1/2	17 1/2	+
30780	Canada	\$23 1/2	23 1/2	23 1/2	+	7450	Harris & A.	\$12 1/2	12 1/2	12 1/2	+	24426	Canibor	\$24 1/2	24 1/2	24 1/2	+
70760	Canada	\$23 1/2	23 1/2	23 1/2	+	27250	Harris & A.	\$15 1/4	15 1/4	15 1/4	+	78200	Canibor	\$24 1/2	24 1/2	24 1/2	+
33616	Canada	\$33 1/2	33 1/2	33 1/2	+	31984	Harris & A.	\$15 1/4	15 1/4	15 1/4	+	1855	Danforth	\$11 1/4	11 1/4	11 1/4	+
20200	Canada	\$37 1/2	37 1/2	37 1/2	+	32100	Harris & A.	\$15 1/4	15 1/4	15 1/4	+	15003	Medicago	\$11 1/4	11 1/4	11 1/4	+
24780	Canada	\$37 1/2	37 1/2	37 1/2	+	12849	Harris & A.	\$24 1/2	24 1/2	24 1/2	+	16318	Medicago	\$11 1/4	11 1/4	11 1/4	+
230	Canada	\$17 1/2	17 1/2	17 1/2	+	19108	Inco	\$20 1/2	20 1/2	20 1/2	+	500	Quebec	\$20	20	20	+
2420	Canada	\$17 1/2	17 1/2	17 1/2	+	28991	Inco	\$20 1/2	20 1/2	20 1/2	+	10678	Quebec	\$20	20	20	+
1910	Canada	\$17 1/2	17 1/2	17 1/2	+	86411	Inco	\$20 1/2	20 1/2	20 1/2	+	15000	Quebec	\$16 1/2	16 1/2	16 1/2	+
2314	Canada	\$24 1/2	24 1/2	24 1/2	+	1200	Inco	\$20 1/2	20 1/2	20 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1100	Canada	\$24 1/2	24 1/2	24 1/2	+	1200	Inco	\$20 1/2	20 1/2	20 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1910	Canada	\$24 1/2	24 1/2	24 1/2	+	21900	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1700	Canada	\$30 1/2	30 1/2	30 1/2	+	2400	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
529	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	7641	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/2	24 1/2	+	45112	Quebec	\$16 1/2	16 1/2	16 1/2	+
1200	Canada	\$30 1/2	30 1/2	30 1/2	+	1100	Inco	\$24 1/2	24 1/								

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TOKYO - Most Active Stocks						
Thursday, August 26, 1993						
	Stocks Traded	Closing Price	Change on day		Stocks Traded	Closing Price
Fujiwara	4,231	797	+6	Kumagai Gumi ...	3,311	492
NIKKEN	3,811	21	-3	Nissan's Steel ...	2,111	266
Osaka Gas	3,111	840	+1	Nissan's Comex ...	2,011	889
Daiichi Kangin	2,911	752	+11	Nippon Steel ...	2,011	314
Tanabe Sanyaku	2,411	1,150	+70	Sanyo's Mid Int'l	1,911	358
						-2

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Removable HDD
Inter Key Mouse



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AMERICA

Dow slips from peak
on early profit-taking

Wall Street

US stock markets slipped from their record highs yesterday morning on heavy profit-taking, particularly in secondary stocks, writes Patrick Horan in New York.

At 1 pm, the Dow Jones Industrial Average was down 8.11 at 3,643.98. The more broadly based Standard & Poor's 500 was 0.52 easier at 459.61, while the American SE composite was 1.21 lower at 453.51. For the second consecutive day, the Nasdaq composite underperformed the rest of the markets, relinquishing 4.69 to 723.97. Trading volume on the New York SE came to 134m shares by 1 pm.

After posting a 45-point advance over the previous two trading days, no one was surprised yesterday morning when the equity markets failed to build on those gains. All year, profit-takers have been ready to move in every time stocks have reached record highs.

The day's economic news - an 8,000 rise in weekly initial jobless claims - had little impact upon the markets, although the data suggested that conditions in the labour market remained weak. Bond prices were higher, pushing long-dated yields to new record lows, but this was also shrugged off by equity investors.

Buyers sought out certain sectors, and continued to rotate between cyclical, consumer, cars, pharmaceutical, technology, transportation, and oil stocks.

Drug stocks were among the leaders. Pfizer climbed 1 1/4% to \$63 1/4, Bristol Myers-Squibb put on \$1 at \$55 1/4, Schering Plough

added 3/4% at \$60 1/4, and Merck rose 3/4% to \$32 1/4.

Selected oil stocks were also in demand. Exxon firmed 3/4% to \$65 1/4, Texaco rose 3/4% to \$65 1/4, Mobil added 3/4% at \$78 1/4, and British Petroleum ADRs climbed 1 1/4% to \$56 1/4.

Cyclical stocks eased with the wider market. Caterpillar dropped 3/4% to \$89, International Paper slipped 3/4% to \$67 1/4, and General Electric fell

3/4% to \$39 1/4. Car stocks, however, were firmer, led by General Motors, which rose 1/4% to \$47 1/4. Certain technology stocks were also out of favour: Compaq fell 1 1/4% to \$62 1/4, Motorola 1 1/4% to \$93 1/4, and Texas Instruments 3/4% to \$90 1/4.

Disappointment that Philip Morris did not raise its dividend continued to hurt the stock, which fell 1 1/4% to \$47 1/4.

On the Nasdaq market, Novell plummeted 2 1/4% to \$19 in reaction to Wednesday's late news of a third quarter loss (which included a charge) and several downgrades from brokerage houses. Other leading technology stocks also ran into heavy selling, with Microsoft down 1 1/4% at \$72 1/4, Apple down 3/4% at \$26 1/4, and Intel down 3/4% at \$61 1/4.

Canada

TORONTO fell back in morning trading as investors took profits following recent strong gains, the index having reached a record high on Wednesday.

By noon the TSE-300 composite index was down 20.31 at 4,102.61 in volume of 29m shares. Among the sub-indices, financial services was off 20.81 at 3,042.07 and metals and minerals by 36.73 at 3,102.50.

Active issues included Bombardier, up 3/4% at \$14 1/4, and Placer Dome, off 3/4% at \$27 1/4.

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EUROPE

Conflicting reactions to Buba decision

THE Bundesbank's decision not to cut interest rates gave bourses one reason to back-track yesterday, although Paris and Madrid managed to ignore it, writes Our Markets Staff.

In parallel, there was a note from Kleinwort Benson which, this year, has heavily over-weighted continental Europe at the expense of the US. Yesterday KB's chief strategist, Mr. Alan Edwards, raised his US weighting from 23 to 30 per cent, and dropped continental Europe by seven percentage points to 16 per cent.

Since the beginning of the year, noted Mr. Edwards, shares on the continent have risen by 25 per cent, against 5 per cent for the US. However, he said, US earnings are already some 25 per cent off their lows; earnings surprises so far in 1993 have been on the upside; and, on KB's valuation ratios, US equities now look cheap to fair value.

FRANKFURT weakened both during market hours, losing hope about interest rates as the DAX index closed 16.83 lower at 1,901.15, and in the post-bourse where the DAX indicated DAX dropped another

10.50 to 1,890.65.

Turnover rose from DM6.6bn to DM6.8bn. Prominent losers in share price terms included the house's top three stocks, Daimler, Deutsche Bank and Siemens, and the three blue chips which put out interim reports yesterday, BASF, Bayer and Volkswagen.

Five of those six, noted Mr. Jens Wierckling of Merck Finck in Düsseldorf, were major exporters, and vulnerable to weakness in the dollar promoted by German interest rate policy. The interim reports, although grim, were much as expected; Volkswagen, down DM3.70 to DM367.30 on the session, and accelerating with a DM6.80 drop to DM369.50 in the post-bourse, seemed to suffer more from cynicism about its recovery prospects.

Siemens fell DM9.60 to DM66.40 on the session and by DM6.90 to DM69.50 in London after hours. It had been relatively strong recently, and seemed to attract forward selling from the DFB.

ZURICH ended lower as profit-taking evident earlier in the session increased slightly after the Buba decision. UBS bear-

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